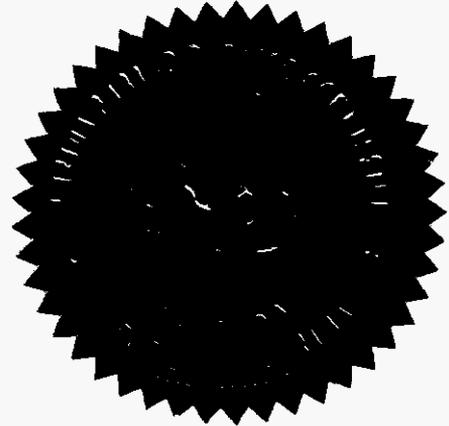


BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Southern) Docket No. 950495-WS
 States Utilities Inc. for rate)
 increase and increase in service)
 availability charges for Orange-)
 Osceola Utilities, Inc. in)
 Osceola County, and in Bradford,)
 Brevard, Charlotte, Citrus,)
 Clay, Collier, Duval, Hernando,)
 Highlands, Hillsborough, Lake,)
 Lee, Marion, Martin, Nassau,)
 Orange, Osceola, Pasco, Polk,)
 Putnam, Seminole, St. Johns,)
 St. Lucie, Volusia and)
 Washington Counties.)



SEVENTH DAY - LATE AFTERNOON SESSION

VOLUME 28

PAGES 3199 through 3340

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN SUSAN F. CLARK
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER JULIA L. JOHNSON
 COMMISSIONER DIANE K. KIESLING
 COMMISSIONER JOE GARCIA

DATE: Tuesday, May 7, 1996

TIME: Commenced at 3:04 p.m.

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: LISA GIROD JONES, RPR, RMR

APPEARANCES:

(As heretofore noted.)

DOCUMENT NUMBER-DATE

05192 MAY-96

FPSC-RECORDS/REPORTING

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	EXHIBITS		
2	NUMBER	IDENTIFIED	ADMITTED
3	190 - (Dodrill) RFD-1 - RFD-7	3206	3217
4	191 - (Winston) CJW-1	3220	3227
5	192 - (Small) JAS-1 - JAS-5	3229	3263
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PROCEEDINGS

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(Transcript continues in sequence from
Volume 27.)

CHAIRMAN CLARK: We'll go back on the record,
Mr. Jaeger, are we ready to call the Staff's witnesses?

MR. JAEGER: Yes. Chairman Clark, prior to
calling the Staff witness, we wanted to -- SSU has
proposed a stipulation and Staff would like to address.
And what SSU has stipulated -- this is in regards to
Issue No. 144, and that's having to do with the
Utility's books and records, whether they were in
compliance with Rule 25-30.450, Florida Administrative
Code, which is addressed by Audit Exception No. 1, and
SSU has stipulated that it should record Commission
adjustments on its books and records.

Further, the MFRs should begin with the
utility book balances. All adjustments to these
balances shall be made after the per book column in the
MFRs. And that's for future rate cases, and we would
like -- that part would be in the order.

And with that stipulation, Staff agrees that
Issue 144 has been resolved. And we've talked to the
Office of Public Counsel, and I believe they had no
problem with that. I'll let Mr. Beck -- he says no
problem.

1 CHAIRMAN CLARK: Mr. Jacobs or Mr. Twomey, do
2 you have a problem with that item?

3 MR. TWOMEY: No problem.

4 MR. JACOBS: I have no problem.

5 CHAIRMAN CLARK: Is it necessary for us to
6 approve that stipulation now?

7 MR. JAEGER: Yes, I believe so. Mr. Dodrill's
8 cross-examination, I think, depends on your stipulation.

9 CHAIRMAN CLARK: Is there a motion to approve
10 the proposed stipulation on Issue 144.

11 COMMISSIONER KIESLING: Move it.

12 CHAIRMAN CLARK: Without objection. Proposed
13 stipulation on Issue 144 is accepted.

14 MR. JAEGER: With that, Staff calls Robert F.
15 Dodrill.

16 CHAIRMAN CLARK: Let me indicate, it would be
17 my intention to get through the Staff witnesses today,
18 and I would like to ask that all those Staff witnesses
19 stand and be sworn in at the same time. If you haven't
20 already been sworn in. Would you please raise your
21 right hand?

22 (Witnesses collectively sworn.)

23 CHAIRMAN CLARK: Thank you very much.

24 ROBERT DODRILL

25 was called as a witness on behalf of FPSC Staff, and

1 having been duly sworn, testified as follows:

2 DIRECT EXAMINATION

3 BY MR. JAEGER:

4 Q Please state your name and business address
5 for the record.

6 A I'm Robert Dodrill with the Florida Public
7 Service Commission District Office in Orlando, Florida.
8 That is 400 West Robinson Street, Orlando 32801-775.

9 Q And in what capacity are you employed?

10 A I'm a regulatory analyst with the district
11 AFAD office.

12 Q Have you prefiled direct testimony in this
13 docket consisting of four pages?

14 A Yes, I have.

15 Q Do you have any changes or corrections to your
16 testimony?

17 A Yes, I have, sir. Beginning with Page 3 of
18 the direct filed, I would like to make some insertions.
19 On Line 6, Line 6, should read "Audit Exception No. 3
20 recommends that a portion of the \$886,409 in the
21 deferred debits be..." That's Line 6. And Line 9, Line
22 9 should read, "An appraisal of this property states
23 that a portion of..."

24 Q So you're adding "a portion" and crossing out
25 "approximately 62.5 percent"?

1 A That's correct. I'm sorry. And on Line 11,
2 Line 11 should read, "that a portion of the water
3 source," et cetera.

4 And on Line 14, that should read, "recommend
5 that a portion of these costs be removed."

6 Q Does that complete your corrections to your
7 testimony?

8 A To the testimony, yes.

9 Q With those corrections, if I were to ask you
10 the same questions, would your testimony be the same
11 today?

12 A Yes, it would.

13 MR. JAEGER: Chairman Clark, may we have
14 Mr. Dodrill's testimony, consisting of four pages of
15 testimony, inserted into the record as though read?

16 CHAIRMAN CLARK: The prefiled direct testimony
17 of Robert F. Dodrill will be inserted in the record as
18 though read.

19 Q (By Mr. Jaeger) Mr. Dodrill, did you also
20 file exhibit numbers --

21 A Yes, I did.

22 Q You have one exhibit, is that correct, 1
23 through 7?

24 A I have Exhibit RFD-1, and I have changes to
25 Pages 7 and 8. That's RFD-1, Page 7 of 13. And the

1 second to the last paragraph, I would omit the entire
2 paragraph, which is just one sentence beginning with
3 "The value of."

4 Q Okay, and your next correction?

5 A The next correction is on Page 8 of 13, right
6 after "the opinion:" I would like to exclude the entire
7 calculation, down through and including "total allocated
8 \$868,409."

9 Q So starting out of the "160 acres" down
10 through the "total allocated," you're crossing all that
11 out?

12 A That's correct. And in the recommendation,
13 the line should read, "reclassify a portion of the
14 \$886,409."

15 MR. JAEGER: Chairman, may we have exhibits --
16 make sure -- RFD-1 through -7 identified?

17 CHAIRMAN CLARK: They'll be identified as
18 Exhibit 190.

19 (Exhibit No. 190 marked for identification.)
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1 DIRECT TESTIMONY OF ROBERT F. DODRILL

2 Q. Please state your name and business address.

3 A. My name is Robert F. Dodrill and my business address is Hurston North
4 Tower, Suite N512, 400 W. Robinson Street, Orlando, Florida.

5 Q. By whom are you presently employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission as a Regulatory
7 Analyst III in the Division of Auditing and Financial Analysis.

8 Q. How long have you been employed by the Commission?

9 A. I have been employed by the Florida Public Service Commission since
10 September, 1979. Briefly, from mid-1993 until the end of 1994 I left the
11 Commission and I assisted in operating a family business.

12 Q. Briefly review your educational and professional background.

13 A. I graduated from the University of Florida in 1971, with a major in
14 Business Operations Research. I am also a Certified Public Accountant
15 licensed in the State of Florida.

16 Q. Please describe your current responsibilities.

17 A. Currently, I am a Regulatory Analyst III with the responsibilities of
18 planning and directing audits of regulated companies, and assisting in audits
19 of affiliated transactions. I also am responsible for creating audit work
20 programs to meet a specific audit purpose and I direct and control assigned
21 staff work as well as participate as a staff auditor and audit manager.22 Q. Have you presented expert testimony before this Commission or any other
23 regulatory agency?24 A. Yes. I testified in the following: Gainesville Gas Company Rate Case,
25 Docket No. - 870688-GU; United Telephone Rate Case, Docket No. 910980-TC;

1 | Marco Island Utilities Rate Case, Docket No. 920655-WS.

2 | Q. What is the purpose of your testimony today?

3 | A. The purpose of my testimony is to sponsor specific findings in the staff
4 | audit report of Southern States Utilities, Inc., Docket No. 950495-WS. I am
5 | sponsoring Audit Exceptions 1, 2, 3, and 10, and Audit Disclosures 2, 17, and
6 | 18. These findings are filed with my testimony and are identified as RFD-1.

7 | Q. Please review the audit exceptions you are sponsoring.

8 | A. Audit Exceptions disclose substantial non-compliance with the Uniform
9 | System of Accounts, a Commission rule or order, Staff Advisory Bulletins, and
10 | formal company policy. Audit Exceptions also disclose company exhibits that
11 | do not represent company books and records and company failure to provide
12 | underlying records or documentation to support the general ledger or exhibits.

13 | Audit Exception No. 1 states that the utility's books and records are
14 | in violation of Commission Rule 25-30.450, Florida Administrative Code. This
15 | rule states that the supporting schedules for a filing must be organized in
16 | a systematic and rational manner "to enable Commission personnel to verify the
17 | schedules in an expedient manner and minimum amount of time." In order to
18 | reconcile the MFR accumulated depreciation balance with the general ledger,
19 | the utility said that it would require "...at least two weeks..." for its own
20 | employees to complete the task. I believe that this is in violation of the
21 | rule. The audit workpapers supporting this exception are attached as Exhibit
22 | RFD-2.

23 | Audit Exception No. 2 recommends that the Commission reduce the Land
24 | account for non-utility property acquired through the Collier property
25 | condemnation. The utility acquired 212.5 acres through the condemnation. I

1 reviewed five appraisals related to this property. The appraisals indicate
2 that a portion of the land acquired will not be used as a water source. I
3 recommend that the portion not related to the water source be reclassified as
4 Non-utility property. The audit workpapers supporting this exception are
5 attached as RFD-3.

6 Audit Exception No. 3 recommends that ^{a portion} \$886,409 in deferred debits be
7 reclassified to Miscellaneous Non-utility Expenses. These costs relate to the
8 development and ultimate purchase of water source land known as the Dude
9 Property. An appraisal of this property states that ^{a portion} ~~approximately 62.5%~~ of
10 the property is available for pit mining. Other documents I reviewed indicate
11 that ^{a portion of} the water source at this location is to be used for raw water sales to
12 Massachusetts Mutual Golf Course. This golf course is out of the utility's
13 service area and the revenue would be non-utility income. Therefore, I
14 recommend that ^{a portion of} these costs be removed to Miscellaneous Non-utility Expenses.
15 The audit workpapers supporting this exception are attached as RFD-4.

16 Audit Exception No. 10 discusses the difficulty I had in acquiring
17 information regarding organization costs and my inability to adequately review
18 the information due to its lack of timeliness. I believe that this delay was
19 a violation of FPSC Rule No. 25-30.450, F.A.C., which was also discussed in
20 Audit Exception No. 1. The audit workpapers supporting this exception are
21 attached as RFD-5.

22 Q. Please review the audit disclosures you are sponsoring.

23 A. Audit Disclosures disclose material facts that are outside the
24 definition of an Audit Exception.

25 Audit Disclosure No. 2 discusses land additions in the Lehigh service

1 area. I believe that these additions should be removed from current rate
2 making consideration as the utility states that this land is held for future
3 use.

4 Audit Disclosure No. 17 discusses \$33,082,895 of Plant Held for Future
5 Use which appears to be in the MFR Plant balances which reconcile to the
6 General Ledger amounts. The audit workpapers related to this disclosure are
7 attached as RFD-6.

8 Audit Disclosure No. 18 briefly discusses my review of two journal
9 entries provided in the detail for organization costs. As I mentioned
10 previously, this information was provided late and I did not have sufficient
11 time to fully review it. The audit workpapers related to this disclosure are
12 attached as RFD-7.

13 Q. Does this conclude your testimony?

14 A. Yes, it does.

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1 Q (By Mr. Jaeger) Chairman, the witness is
2 tendered for cross.

3 CHAIRMAN CLARK: Mr. Beck.

4 MR. BECK: No questions.

5 CHAIRMAN CLARK: Mr. Jacobs.

6 MR. JACOBS: No questions.

7 CHAIRMAN CLARK: Mr. Twomey. Mr. Feil.

8 CROSS EXAMINATION

9 BY MR. FEIL:

10 Q Thank you. If I may, Mr. Dodrill, you have
11 changed Audit Exception No. 3 so that it reads now "a
12 portion of the total." And is it correct that your
13 testimony now is that you do not identify a portion of
14 the total; is that correct?

15 A That's correct.

16 Q Thank you. Mr. Dodrill, because of the
17 stipulation that SSU and Staff was able to work out, I'm
18 happy to report to you that I've reduced your cross
19 examination considerably, so you won't be up as long.

20 My first line of cross pertains to Audit
21 Exception No. 2, which begins on RFD-1, Page 3 of 13.
22 Mr. Dodrill, could you tell me whether or not you
23 believe that you are an expert in hydrogeology?

24 A No, I am not.

25 Q Are you an expert in planning and zoning?

- 1 A No, I'm not. I'm an auditor.
- 2 Q Are you an expert in land appraisal?
- 3 A No, I'm not.
- 4 Q Are you an expert in utility valuation?
- 5 A No, I am not.
- 6 Q Condemnation?
- 7 A No, I am not.
- 8 Q Environmental science?
- 9 A No, I am not.
- 10 Q Engineering?
- 11 A No, I am not.
- 12 Q How many times in the past have you
- 13 participated in the condemnation of utility property,
- 14 Mr. Dodrill?
- 15 A This is my first experience.
- 16 Q So you've never even reviewed a utility's
- 17 purchase of property through condemnation in the past?
- 18 A That's correct.
- 19 Q Can you tell me what the standard is for
- 20 determining the value of property in the condemnation
- 21 process, if you know?
- 22 A Matt, I just said that I was not an expert.
- 23 Q Can you tell me what a water supply setback
- 24 requirement is, if you know?
- 25 A I'm not an engineer.

1 Q Can you tell me what the definition -- can you
2 tell me what DEP's definition of a pollution source is?

3 A I've already expressed, Matt, that I'm not an
4 expert in that area.

5 Q Can you tell me what the likelihood is of SSU
6 ever getting a permit to build residential homes on any
7 portion of the 212 acres condemned?

8 A That's an area that's outside my field of
9 expertise.

10 Q So you couldn't even assess the likelihood of
11 SSU ever getting a permit to build on any portion of the
12 212 acres for purposes of residential or commercial
13 development?

14 A As I expressed before, that's outside the area
15 of my expertise.

16 Q Your recommendation, as I understand it in
17 Audit Exception 2, is that the -- that a portion of the
18 property condemned should be treated as non-utility
19 property; is that correct?

20 A That's correct.

21 Q And if it's non-utility property, does it
22 stand to reason that it is also nonused and useful
23 property to the utility?

24 A That's probably correct, yes.

25 Q Can you tell me how you determined the used

1 and useful percentage of a water supply source,
2 Mr. Dodrill?

3 A Certainly. In the audit process, I look at
4 allocations of assets based on SFASB guidelines. I'm an
5 accountant. As an analyst for the Commission I do
6 allocations. In the past I've done allocations of gas,
7 property, I've done allocations of various properties
8 based on engineering estimates of percentages. It's not
9 my point -- it's not my expertise to come up with a
10 percentage, but based on those allocations, based on
11 those percentages, I do sponsor allocations of property
12 to non-used and useful or non-utility.

13 Q Well, for purposes of your testimony in this
14 proceeding, didn't you just say that by virtue of being
15 non-utility property, that it was nonused and useful?

16 A What I am saying is that I relied on five
17 experts, their work products, which were supplied to me
18 by Southern States, those being the appraisals given to
19 establish the value of the condemned land. And each one
20 of those experts said that so many acres were wetlands,
21 so many acres were lakes and so many acres were
22 uplands. And in valuing those uplands, these
23 appraisers, these certified appraisers, gave specific
24 schedules as to number of lots that could be developed.
25 They gave very good definitions of value based on real

1 estate appraisal.

2 Q Well, it's your testimony, was it not, that
3 you are not an expert in appraisal or condemnation,
4 correct?

5 A That's right.

6 Q Could you tell me what the purpose is of an
7 appraisal done prior to or during the course of a
8 condemnation proceeding then?

9 A I think it's to establish value for
10 negotiation purposes.

11 Q Can you tell me whether or not in your opinion
12 a property owner's appraisal is generally going to be
13 higher or lower than that of the condemning authority,
14 if you know?

15 MR. JAEGER: Chairman Clark, I'm going to
16 object. I think he's already said that's outside his
17 experience and his professional --

18 MR. FEIL: My problem with that is that
19 Mr. Dodrill said that he relied on the appraisals in
20 order to formulate the basis for his opinion, and I'm
21 asking for information pertinent to his evaluation and
22 what he knows about the purpose of those appraisals. If
23 he doesn't understand the purpose of the appraisals,
24 then he's not going to understand the import of the
25 appraisals.

1 CHAIRMAN CLARK: What was your question again,
2 Mr. Feil?

3 MR. FEIL: Question was whether or not he knew
4 a property owner's appraisal is generally going to be
5 higher or lower than the condemning authority's
6 appraisal.

7 CHAIRMAN CLARK: I'll allow the question.

8 Q (By Mr. Feil) And again, Mr. Dodrill, if you
9 know.

10 A I don't know.

11 Q And you've already said, I believe, that you
12 are not an expert in used and useful?

13 A That's correct, I'm not an engineer.

14 Q Do you know whether or not SSU could have
15 condemned only the acreage under water for this 212-acre
16 tract?

17 A I understand there are occasions, as reflected
18 in the Uniform System of Accounts, where a utility has
19 to acquire more land than is necessary for utility
20 purposes. And based on the Uniform System of Accounts,
21 which I stated in my opinion, the Uniform System says
22 those areas not used in utility service should be
23 allocated out of the rate base.

24 Q So do you know, Mr. Dodrill, whether or not
25 the entire 212-acre tract is being used for purposes of

1 water withdrawal?

2 A I don't know.

3 Q Thank you.

4 MR. FEIL: May I have a moment to confer?

5 (Pause) Nothing further.

6 CHAIRMAN CLARK: Commissioners? Redirect?

7 MR. JAEGER: No redirect, Madam Chairman.

8 CHAIRMAN CLARK: Thank you, Mr. Dodrill.

9 Exhibits?

10 MR. JAEGER: 190, I would like to move.

11 CHAIRMAN CLARK: All right, Exhibit 190 is

12 entered into the record without objection. You are

13 excused, Mr. Dodrill. Thank you very much.

14 (Exhibit No. 190 received into evidence.)

15 MR. JAEGER: Thank you, Mr. Dodrill.

16 WITNESS DODRILL: Thank you, Commissioners.

17 (Witness Dodrill excused.)

18 * * *

19 CHAIRMAN CLARK: Mr. Jaeger, is Mr. Winston

20 next?

21 MR. JAEGER: Yes. Staff calls Charleston

22 Winston.

23 CHARLESTON JAMES WINSTON

24 was called as a witness on behalf of FPSC Staff, and

25 having been duly sworn, testified as follows:

1 DIRECT EXAMINATION

2 BY MR. JAEGER:

3 Q Mr. Winston, would you please state your name
4 and business address for the record?

5 A Yes. My name is Charleston James Winston.
6 The business address is 400 West Robinson Street, Suite
7 512 North, Orlando, Florida 32 -- I'm sorry, 32801.

8 Q By whom are you employed and in what capacity?

9 A I'm employed by the Florida Public Service
10 Commission of the Orlando District, and I serve as a
11 regulatory analyst.

12 Q Have you prefiled direct testimony in this
13 docket consisting of four pages?

14 A Yes, I have.

15 Q Do you have any changes or corrections to your
16 testimony?

17 A No, I do not.

18 Q If I were to ask you the same questions, would
19 your testimony be the same today?

20 A Yes, it would.

21 MR. JAEGER: Chairman Clark, may we have
22 Mr. Winston's testimony inserted into the record as
23 though read?

24 CHAIRMAN CLARK: The prefiled direct testimony
25 of Mr. Winston will be inserted in the record as though

1 read.

2 Q (By Mr. Jaeger) Mr. Winston, did you also
3 file Exhibit No. CJW-1 with your testimony?

4 A Yes, I did.

5 Q Do you have any changes or corrections to this
6 exhibit?

7 A No, I do not.

8 MR. JAEGER: Chairman, may we have that
9 exhibit identified?

10 CHAIRMAN CLARK: CJW-1 will be marked as
11 Exhibit 200.

12 MR. JAEGER: Chairman, this witness is
13 tendered for cross.

14 CHAIRMAN CLARK: Mr. Beck.

15 MR. BECK: No questions.

16 CHAIRMAN CLARK: Mr. Twomey.

17 MR. TWOMEY: No questions.

18 CHAIRMAN CLARK: Mr. Feil.

19 MR. FEIL: Yes, ma'am. Thank you.

20 MR. JAEGER: Chairman Clark, excuse me, I'm
21 sorry. You said 200?

22 CHAIRMAN CLARK: You're right, 191.

23 MR. JAEGER: I thought I said 191.

24 CHAIRMAN CLARK: Thank you.

25 MR. FEIL: The exhibit is 191?

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CHAIRMAN CLARK: Yes.

(Exhibit No. 191 marked for identification.)

1 DIRECT TESTIMONY OF CHARLESTON J. WINSTON

2 Q. Please state your name and business address.

3 A. My name is Charleston J. Winston and my business address is Hurston
4 North Tower, Suite N512, 400 W. Robinson Street, Orlando, Florida.

5 Q. By whom are you presently employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission as a Regulatory
7 Analyst IV in the Division of Auditing and Financial Analysis.

8 Q. How long have you been employed by the Commission?

9 A. I have been employed by the Florida Public Service Commission for
10 approximately 10 years.

11 Q. Briefly review your educational and professional background.

12 A. I have a Bachelor of Science degree in Accounting and Finance from the
13 University of South Carolina. I was employed by the Public Service Commission
14 in January, 1986.

15 Q. Please describe your current responsibilities.

16 A. Currently, I am a Regulatory Analyst IV with the responsibilities of
17 planning and directing the more complicated financial, program, special and
18 investigative audits, including audits of affiliate transactions. I also am
19 responsible for creating audit work programs to meet a specific audit purpose
20 and integrating EDP applications into these programs. I also direct and
21 control assigned staff work as well as participate as a staff auditor and
22 audit manager.23 Q. Have you presented expert testimony before this Commission or any other
24 regulatory agency?

25 A. Yes. I testified in the United Telephone Company Rate Case, Docket No.

1 | 910980-TC.

2 | Q. What is the purpose of your testimony today?

3 | A. The purpose of my testimony is to sponsor specific portions of the staff
4 | audit report of Southern States Utilities, Inc., Docket Number 950495-WS and
5 | to address specific findings included. I am sponsoring the administrative
6 | portion of the Audit Report and Audit Exceptions 7, 8, and 9, and Audit
7 | Disclosures 1, 3, 12, 13, and 14 . These pages are filed with my testimony
8 | and are identified as CJW-1.

9 | Q. Was this audit report prepared by you?

10 | A. I was the audit manager in charge of this audit and coordinated the
11 | preparation of this report. I am specifically sponsoring the items listed
12 | above.

13 | Q. Please review the audit exceptions you are sponsoring.

14 | A. Audit Exceptions disclose substantial non-compliance with the Uniform
15 | System of Accounts, a Commission rule or order, Staff Advisory Bulletins, and
16 | formal company policy. Audit Exceptions also disclose company exhibits that
17 | do not represent company books and records and company failure to provide
18 | underlying records or documentation to support the general ledger or exhibits.

19 | Audit Exception No. 7 recommends a \$10,451 reduction to water CIAC for
20 | an item that the utility retired from its books but did not remove from its
21 | filing.

22 | Audit Exception No. 8 identifies \$49,009 in Preliminary Survey and
23 | Investigations costs related to a project that was abandoned at the end of
24 | 1991. These costs were then moved to Account 1862 and amortized over four
25 | years. I recommend that these costs be written off to either Miscellaneous

1 Non-utility Expense, Account No. 426, or Miscellaneous Expenses, Account No.
2 675. An adjustment to this item will also affect the working capital
3 allowance.

4 Audit Exception No. 9 identifies \$55,361 related to an abandoned plant
5 addition. These costs were moved to Account 1862 and amortized over four
6 years. The utility is amortizing these costs beginning January, 1994. I
7 recommend that these costs be written off to either Miscellaneous Non-utility
8 Expense, Account No. 426, or Miscellaneous Expenses, Account No. 775. An
9 adjustment to this item will also affect the working capital allowance.

10 Q. Please review the audit disclosures you are sponsoring.

11 A. Audit Disclosures disclose material facts that are outside the
12 definition of an Audit Exception.

13 Audit Disclosure No. 1 reports that the 1996 working capital allowance
14 includes condemnation projects for Deltona Lakes and Marco Island. The
15 utility is amortizing these projects over 15 years.

16 Audit Disclosure No. 3 discusses the utility's reduction to CIAC for
17 Sugarmill Woods. The utility states that this adjustment corrects an error
18 in the MFR amounts reported in the last rate case, Docket No. 920199-WS.

19 Audit Disclosure No. 12 recommends that the 1996 average working capital
20 allowance should be reduced by \$204,043 to remove Account No. 1710, Accrued
21 Interest Receivable. Commission policy has been to exclude interest bearing
22 accounts and the related interest for rate making purposes.

23 Audit Disclosure No. 13 addresses the amortization of the loss on
24 abandonment of the Seaboard Wastewater plant. Chapter 25-30.116(1)(c)(2),
25 F.A.C. states that unless otherwise authorized by the Commission, projects

1 | that have been cancelled may not be included in CWIP nor accrue AFUDC.
2 | Therefore, I recommend that \$19,590 be removed from the cost of abandonment.
3 | In addition, the utility amortized this loss over 5 years. Chapter 25-
4 | 30.433(a), F.A.C. requires the amortization period to be determined by
5 | dividing the net loss by the sum of the annual depreciation expense plus the
6 | dollar rate of return that would have been allowed. This calculation results
7 | in an amortization period of 12 years. Therefore, I recommend that the total
8 | amortization expense for 1996 be adjusted to \$53,088.

9 | Audit Disclosure No. 14 recommends a reduction to the 1996 working
10 | capital allowance of \$1,849,076. The utility's 1996 projections for
11 | Preliminary Survey and Investigations was significantly higher than the actual
12 | amounts through September, 1995. In addition, the utility's supporting
13 | documentation was internally generated with no outside verification. I
14 | believe that the wide variance indicates an error in the projection, and as
15 | the utility has no outside support for its estimate, I recommend that the
16 | projections be reduced.

17 | Q. Does this conclude your testimony?

18 | A. Yes, it does.

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1 CROSS EXAMINATION

2 BY MR. FEIL:

3 Q Good afternoon, Mr. Winston. I only have a
4 few brief questions for you which pertain to Audit
5 Exception No. 8 and Audit Exception No. 9. Which are
6 CJW pages 10 and 11.

7 Specifically on Audit Exception No. 8,
8 opinion, recommendation, that paragraph there, do I
9 understand your recommendation correctly to be that
10 there should be a write-off in either one or the other
11 account, and you are not making a recommendation that it
12 should be one or the other?

13 A First, I want to say good afternoon to you,
14 too, Matt. Right. You're exactly right. At this point
15 we want to leave it up to the Commission to make that
16 determination.

17 Q That was my understanding as well. Thank
18 you.

19 A You're welcome.

20 Q The Utility, or SSU, incurred expenses for
21 this particular project, though; is that correct?

22 A That is correct.

23 Q And to your knowledge, were any of the funds
24 diverted in any way? The Company did actually spend the
25 money; did it not?

1 A True.

2 Q And the Utility had in its filing or on its
3 books a number of abandoned projects; is that correct?

4 A Yes, that could be correct.

5 Q There was more than just this one, correct?

6 A Right, right.

7 Q In light of that, do you not think it
8 reasonable to assume that a utility may have abandoned
9 projects in the future?

10 A That very well could be a safe assumption.

11 Q And then my questions with regard to Audit
12 Exception No. 9 would be basically the same, that is
13 that you're not recommending one treatment over another;
14 is that correct?

15 A That's true.

16 Q And that the Utility actually incurred the
17 expenses associated with the project; is that correct?

18 A That's correct.

19 Q And that none of the funds were diverted in
20 any way or spent on some other project to the best of
21 your knowledge?

22 A To the best of my knowledge, that's true.

23 Q And that it's reasonable to assume that the
24 Utility will have abandoned projects in the future; is
25 that correct?

1 A I assume that's a safe assumption.

2 MR. FEIL: I have nothing further.

3 CHAIRMAN CLARK: Redirect?

4 MR. JAEGER: No redirect.

5 CHAIRMAN CLARK: Exhibits?

6 MR. JAEGER: We'll have the CJW-1 admitted as
7 Exhibit 191.

8 CHAIRMAN CLARK: It will be admitted without
9 objection as Exhibit 191. Thank you, Mr. Winston.

10 WITNESS WINSTON: Thank you, Commissioners.

11 (Exhibit No. 191 received into evidence.)

12 (Witness Winston excused.)

13 * * *

14 MR. JAEGER: Next witness Staff will call is
15 Jeffery A. Small.

16 JEFFERY A. SMALL

17 was called as a witness on behalf of FPSC Staff, and
18 having been duly sworn, testified as follows:

19 DIRECT EXAMINATION

20 BY MR. JAEGER:

21 Q Mr. Small, please state your name and business
22 address for the record.

23 A My name is Jeffery A. Small. I work at 400
24 West Robinson Street, Orlando, Florida 32801.

25 Q By whom are you employed and in what capacity?

1 A I'm employed by the Florida Public Service
2 Commission, the Orlando District Office. I am employed
3 as a regulatory analyst.

4 Q Have you prefiled direct testimony in this
5 docket consisting of five pages?

6 A Yes, sir, I have.

7 Q Do you have any changes or corrections to your
8 testimony?

9 A Yes, sir, I do. On Exhibit JAS-1, Page 15 of
10 21, under the subject Interim 1996, that should be --
11 strike the 1996, that should be 1995.

12 Q That's up in the heading there. Any other
13 corrections?

14 A That's it.

15 Q With those corrections -- okay, that was to
16 your exhibit. There was no corrections to your actual
17 testimony?

18 A No, sir.

19 Q If I were to ask you the same questions today,
20 would your testimony be the same today?

21 A Yes, sir.

22 MR. JAEGER: Chairman, may we have Mr. Small's
23 testimony inserted into the record as though read?

24 CHAIRMAN CLARK: The prefiled direct testimony
25 of Jeffery A. Small will be inserted in the record as

1 though read.

2 Q (By Mr. Jaeger) Mr. Small, did you also file
3 Exhibit Nos. JAS-1 through 5 with your testimony?

4 A Yes, sir.

5 Q And you corrected JAS-1; is that correct?

6 A Yes, sir.

7 Q Do you have any changes or corrections to any
8 other exhibits?

9 A No, sir.

10 MR. JAEGER: Chairman, may we have those
11 exhibits identified?

12 CHAIRMAN CLARK: Yes, JAS-1 through 5 will be
13 marked as Exhibit 192.

14 (Exhibit No. 192 marked for identification.)
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1 DIRECT TESTIMONY OF JEFFERY A. SMALL

2 Q. Please state your name and business address.

3 A. My name is Jeffery A. Small and my business address is Hurston North
4 Tower, Suite N512, 400 W. Robinson Street, Orlando, Florida.

5 Q. By whom are you presently employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission as a Regulatory
7 Analyst II in the Division of Auditing and Financial Analysis.

8 Q. How long have you been employed by the Commission?

9 A. I have been employed by the Florida Public Service Commission for two
10 years.

11 Q. Briefly review your educational and professional background.

12 A. I have a Bachelor of Science degree in Accounting from the University
13 of South Florida. I was hired as a Regulatory Analyst I by the Florida Public
14 Service Commission January 1994. I am also a Certified Public Accountant
15 licensed in the State of Florida.

16 Q. Please describe your current responsibilities.

17 A. Currently, I am a Regulatory Analyst II with the responsibilities of
18 participating as a staff auditor in a large team effort and working
19 unaccompanied as an audit manager or team leader directing a small audit
20 staff. I am also responsible for modifying standard audit work programs to
21 accomplish stated audit objectives.

22 Q. What is the purpose of your testimony today?

23 A. The purpose of my testimony is to sponsor specific findings in the staff
24 audit report of Southern States Utilities, Inc., Docket No. 950495-WS. I am
25 sponsoring Audit Exceptions 4 through 6, and Audit Disclosures 4 through 11.

1 | 15. and 16. These findings are filed with my testimony and are identified as
2 | JAS-1.

3 | Q. Please review the audit exceptions you are sponsoring.

4 | A. Audit Exceptions disclose substantial non-compliance with the Uniform
5 | System of Accounts, a Commission rule or order, Staff Advisory Bulletins, and
6 | formal company policy. Audit Exceptions also disclose company exhibits that
7 | do not represent company books and records and company failure to provide
8 | underlying records or documentation to support the general ledger or exhibits.

9 | Audit Exception No. 4 recommends two adjustments related to the Marco
10 | Shores system's purchase of water from the Marco Island system. The first
11 | adjustment is to state the projected revenues using projected consumption and
12 | rates, instead of historical consumption and rates. The second adjustment is
13 | to reflect the reduction of reportable revenues for purposes of calculating
14 | the regulatory assessment fees payable to the Commission.

15 | Audit Exception No. 5 recommends the removal of shareholder services
16 | expenses allocated from Minnesota Power. In a Tampa Electric Company rate
17 | case, Commission Order No. 11307 states the following:

18 | Stockholder relations expenses are incurred for activities related
19 | to image building and good will. This type of expense is not
20 | normally allowed by this Commission if incurred by a utility.
21 | This type of expense should be disallowed if incurred by a parent
22 | and passed through to subsidiary companies.

23 | Therefore, based on this past Commission action, I recommend that these
24 | expenses be removed. The audit workpapers supporting this exception are
25 | attached as JAS-2.

1 Audit Exception No. 6 discusses the utility's write-off of \$19,143 for
2 an abandoned Preliminary Survey and Investigation project. The utility
3 recorded this amount in Contractual Services - Other. I believe that this is
4 incorrect. I recommend that this amount be charged to either Miscellaneous
5 Expense or Miscellaneous Non-utility Expense.

6 Q. Please review the audit disclosures you are sponsoring.

7 A. Audit Disclosures disclose material facts that are outside the
8 definition of an Audit Exception.

9 Audit Disclosure No. 4 discusses the Seaboard system in Hillsborough
10 county and my concern regarding the utility plant in service included in rate
11 base. The utility purchases water from the City of Tampa via Hillsborough
12 County in accordance with a specific water purchase agreement. These
13 purchases equal approximately 62% of the water sold. The utility includes all
14 original plant in service as well as all the cost associated with the
15 construction of the interconnect with Hillsborough County.

16 Audit Disclosure No. 5 discusses the recorded sludge hauling expense for
17 the Beecher Point and Palm Port systems. This expense should be identified
18 as a Purchased Sewage Treatment Expense rather than sludge hauling. In
19 addition the expense should not be treated as a recurring O&M expense because
20 a more cost effective method should be developed.

21 Audit Disclosure No. 6 discusses an audit request regarding the
22 elasticity adjustment. The utility stated the information requested would
23 have to be provided by Dr. Whitcomb. Therefore, I did not review the
24 elasticity adjustment.

25 Audit Disclosure No. 7 discusses the utility's conservation expenses and

1 makes certain comparisons with the way these expenses are incurred and
2 recorded and those for the electric and gas industries. Generally, I
3 recommend that conservation programs should be approved in advance and only
4 expenses specifically related to those approved programs should be charged to
5 conservation. The audit workpapers related to this disclosure are attached
6 as JAS-3.

7 Audit Disclosure No. 8 recommends that the purchased power expense for
8 the Deltona Lakes system be reduced. The utility has consistently over
9 budgeted for this expense. Since 1992, the utility has over budgeted an
10 average of 20.48%. The audit workpapers related to this disclosure are
11 attached as JAS-4.

12 Audit Disclosure No. 9 recommends that the purchased water expense for
13 the Volusia/Enterprise system be reduced. The utility operates this system
14 under a receivership agreement with the Commission. The water sold to this
15 system from the Deltona Lakes system should not be included in the MFRs for
16 this rate case.

17 Audit Disclosure No. 10 recommends that the projected expenses for a
18 Hurricane Preparedness program are non-recurring expenses and should be
19 amortized over five years.

20 Audit Disclosure No. 11 recommends that the projected expenses for the
21 Hepatitis Immunization program are non-recurring and should be amortized over
22 five years. The audit workpapers related to this disclosure are attached as
23 JAS-5.

24 Audit Disclosure No. 15 recommends that the projected salary expense
25 should be reduced to correct an error in the attrition adjustment calculation.

1 | The utility stated that the attrition adjustment for 1996 should be 5.75%, not
2 | the 5.87% included in the MFRs.

3 | Audit Disclosure No. 16 discusses the salary expense for the Executive
4 | Division.

5 | Q. Does this conclude your testimony?

6 | A. Yes, it does.

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1 MR. JAEGER: Chairman, this witness is
2 tendered for cross. Oh, Chairman Clark, something I
3 forgot to do, I passed out a packet and in that packet,
4 Pages 20 and 21 of JAS-1, that is the unredacted
5 portion. When we filed this exhibit it was considered
6 confidential or being held as confidential pending the
7 outcome of certain -- but anyhow, it is now no longer
8 confidential and I wanted to make sure you had the
9 unredacted copy.

10 CHAIRMAN CLARK: Okay, that -- but JAS-1
11 through 5 will be marked as Exhibit 192 and you have now
12 passed out a copy of that exhibit with no redactions and
13 that's the exhibit that should be entered in the record.

14 MR. JAEGER: That's correct.

15 CHAIRMAN CLARK: Okay. All right, is the
16 witness tendered for cross-examination?

17 MR. JAEGER: Yes.

18 CHAIRMAN CLARK: Mr. Beck.

19 MR. BECK: No questions.

20 CHAIRMAN CLARK: Mr. Jacobs.

21 MR. JACOBS: No questions.

22 CHAIRMAN CLARK: Mr. Twomey.

23 MR. TWOMEY: No.

24 CHAIRMAN CLARK: Mr. Willingham.

25 CROSS EXAMINATION

1 BY MR. WILLINGHAM:

2 Q Thank you. Mr. Small, my name is Bill
3 Willingham and I'm here on behalf of Southern States.
4 And I'd just like to go through some of your audit
5 exceptions and disclosures so we can clarify a few
6 things.

7 MR. JAEGER: Chairman Clark, I'm sorry, I'm
8 not able to hear Mr. Willingham.

9 CHAIRMAN CLARK: Get close to the mike,
10 Mr. Willingham.

11 BY MR. WILLINGHAM:

12 Q I'm just going to go through a couple of the
13 audit exceptions and disclosures. I'd like to start
14 with Audit Exception No. 5. And your Audit Exception
15 No. 5 recommends the removal of all shareholder service
16 expenses that were allocated to SSU from Minnesota Power
17 & Light; is that correct?

18 A That's correct.

19 Q And in support of your position, I believe you
20 cited PSC Order 11307, which states that, quote,
21 "Stockholder relations expenses are incurred for
22 activities related to image building and good will.
23 This type of expense is not normally allowed by this
24 Commission if incurred by a utility."

25 Is it your opinion that all of the shareholder

1 service expenses allocated to SSU from Minnesota Power &
2 Light are stockholder relation expenses that are
3 incurred for activities related to image building and
4 good will?

5 A Based on the information I had, yes, sir.

6 Q Are you aware that in the same order the
7 Commission allocated to the Utility 79 percent of TECO
8 Energy, Inc.'s expenses of communicating with the
9 financial community?

10 A No, sir.

11 Q Are you familiar -- have you read Order PSC
12 11307?

13 A I've glanced at it.

14 Q All right. The --

15 A I don't have a copy. (Pause)

16 Q I would like to direct you to Page 2 of your
17 testimony where you have the quote from the order. Do
18 you see that? It's towards the bottom of the page
19 there. "And then."

20 A Yes, sir.

21 Q Did you type this in, or did you get this
22 language from someone else to put in there?

23 A Did I type this particular document, or my
24 exception?

25 Q My question is, why did you insert this

1 language if you're not familiar with the order, or are
2 you familiar with the order?

3 A This order came to me through a research of
4 Commission documents. And this particular quote was
5 in -- was included in that research.

6 Q Okay. If I could, I would like to read to
7 you -- it's immediately prior to the paragraph that you
8 quoted. It states --

9 MR. JAEGER: Chairman Clark, if he's going
10 to -- has Mr. Small got a copy of that order in front
11 of him?

12 MR. WILLINGHAM: I can provide my copy. I
13 would just assume -- I assumed that since he cited the
14 order that he was familiar with it. The quote I was
15 going to read is immediately above it on the same page.

16 CHAIRMAN CLARK: Mr. Willingham, I think he
17 has requested that you show a copy of the order to the
18 witness.

19 Q (By Mr. Willingham) If you would please, look
20 at the -- immediately above, I think it's No. 5 on
21 there.

22 A You mean where it says, "5. Allocation of
23 expenses"?

24 Q That's correct. If you could, just take a
25 look at that. I believe that it states that the

1 Commission allocated certain expenses of the parent
2 company that were related to communicating with the
3 financial community. (Pause)

4 A I'm sorry, I still don't see where you're
5 seeing that on here. Oh, okay, you said above that.
6 Okay, you're saying the line "to issue stock and
7 communicate with the financial community."

8 Q That's correct. And my question really is,
9 you've listed in your -- I believe it's on Exhibit
10 JAS-1, Page 4 of 21. You have a list -- there are 14
11 items here. It says, "These costs include charges for
12 the following types of services:" And I would like to
13 go down that list if we could and possibly identify any
14 that might be expenses associated with communicating
15 with the financial community. If you want to, we can go
16 item by item or -- that's probably the easiest way to do
17 it.

18 A What page was that again?

19 Q It's your Exhibit JAS-1, Page 4 of 21, which
20 is Page 19 of the handout that I just received, if that
21 helps you.

22 A Okay, I have the page.

23 Q I guess first we could look at Item No. 4,
24 annual stockholders meetings. Could that be viewed as
25 an expense associated with community -- communicating

1 with the financial community?

2 A Yes.

3 Q How about Item No. 9, SEC financial reports?

4 And if you need clarification as to what these terms
5 might include, we have -- I think I can provide that for
6 you.

7 A Yes.

8 Q And how about No. 14, mailing to the financial
9 community, would that be communications?

10 A Yes.

11 Q The quote that you have in your -- I believe
12 it's Page 2 of your prefiled testimony, talks about --
13 has a quote in there for image building and good will.
14 I would like to, if we could stay on this page here and
15 go through the remaining items and if you could tell me
16 which ones of these you think are related to image
17 building and good will. Do you think No. 1 is related
18 to image building and good will?

19 A It could be.

20 Q So you're saying that labor costs for
21 shareholders services department could be related to
22 good will?

23 A Could or may be.

24 Q All right, so it possibly could not be?

25 A That's correct.

1 Q How about No. 2, proxy and annual meeting
2 notices?

3 A It could be. It could not be also.

4 Q It could not be. Okay, thank you. And No. 3,
5 utility investor group assessments.

6 A I am not sure about that one.

7 Q Not sure. Could you tell me in any way that
8 utility investor group assessments could be?

9 A Excuse me?

10 Q Item No. 3, could you tell me in what way
11 utility investor group assessments could be considered
12 image building or for good will?

13 A I don't know.

14 Q How about the same question for No. 2, the
15 proxy and annual meeting notices?

16 A Well, my understanding of a proxy, I'm
17 assuming that that would be similar to like a proxy
18 statement, which would be things that companies issue,
19 you know, prior to the issuance of stock. I'm not a
20 stock or a financial expert, but that's my understanding
21 of what that might be. So that would be, you know,
22 soliciting stock or something like that.

23 Q Subject to check, if the proxy is a -- like a
24 voting card that they send out, if -- assuming that
25 definition then, the annual meeting notices, assuming

1 these are cost related to sending out the actual ballot
2 or voting card, if you will, and --

3 A Talking for like the shareholders' meetings
4 and things?

5 Q Yes. Assuming that, subject to check, would
6 you consider that to be for good will or for image
7 building?

8 A No, not if it was for the shareholders.

9 Q How about the same for No. 1, labor costs for
10 shareholder services department?

11 A It depends on what the shareholder services
12 department does. They could be soliciting new
13 shareholders, which would be --

14 Q Do you know what the shareholder services
15 department does?

16 A Who, Minnesota Power & Light? No, sir.

17 Q Okay. All right, if we could go down to
18 No. 5, annual and quarterly shareholders reports. Do
19 you consider that to be for image building and good
20 will, and if so, why?

21 A Well, if I was to assume that this is the same
22 annual report that they published for anybody, then it
23 could be -- it could be construed as being image
24 building and good will, if it's available through the
25 community at large, but if you're saying it's just for

1 the shareholders, then no.

2 Q How about No. 6, the DRIP and stock purchase
3 plans, same question.

4 A I would not know about that.

5 Q I'm sorry?

6 A I would not know about that.

7 Q Don't know. How about New York and American
8 Stock Exchange assessments?

9 A I would think that would be a possible image
10 building enhancement.

11 Q Image building?

12 A Possible, either/or.

13 Q Do you know what these assessments are?

14 A I would think that it had something to do with
15 the -- the way the various exchanges assess the stock of
16 the Company.

17 Q Subject to check, would you accept my
18 definition that these are the fees that they must --
19 that investor-owned companies must pay annually to these
20 different exchanges to be listed on the Exchange?

21 A I'll accept that.

22 Q Would that change your answer?

23 A That would be no.

24 CHAIRMAN CLARK: I'm sorry, it would not
25 change your answer?

1 WITNESS SMALL: No, my answer would change to
2 no. I think that's what he was asking me.

3 Q (By Mr. Willingham) How about on No. 8,
4 rating agency fees?

5 A What type of agency would that be?

6 Q Well, again, subject to check, these are fees
7 that the Company pays to various rating agencies to
8 maintain their -- the rating of their credit and
9 securities.

10 A Are talking about Standard & Poor's and --

11 Q Correct.

12 A And Moody's and --

13 Q Correct.

14 A I think it could probably go both ways.

15 Q I'm sorry, you say you think --

16 A If they want to -- let me retract that. I'll
17 just say no.

18 Q How about No. 10, registrar and transfer agent
19 fees?

20 A No.

21 Q How about No. 11, meetings with trust
22 officers/institutional investors?

23 A No.

24 Q No. 12, certificate printing?

25 A No.

1 Q No. 13, board fees.

2 A No.

3 Q All right, so then would you agree that -- see
4 if I can summarize this, Items No. 1, 2, 3, 5, 6, 7, 8,
5 10, 11, 12 and 13 on Page 4 of 12 of your Exhibit JAS-1
6 are not items that are related to image building and
7 good will?

8 A Could you say those numbers again, please?

9 Q No. 1, No. 2, No. 3, No. 5, No. 6, No. 7,
10 No. 8, No. 10, No. 11, No. 12 and No. 13.

11 MR. JAEGER: What was the question again? I'm
12 sorry, I couldn't hear.

13 MR. WILLINGHAM: Whether these items can be --
14 whether they are related to image building and good
15 will.

16 WITNESS SMALL: I'm sorry.

17 Q (By Mr. Willingham) The question is, I'm
18 trying to identify whether this group of items, whether
19 or not they are related to image building and good
20 will. My question is, are these items not related to
21 image building and good will?

22 A You're saying as a group, the numbers that you
23 listed?

24 MR. JAEGER: Chairman Clark, I'm going to
25 object, because I think he went through individually and

1 he answered. So this has been asked and answered and he
2 stated each time whether it was possible or no. So I
3 think he's already answered this question.

4 MR. WILLINGHAM: Chairman Clark, I'm just
5 trying to clarify the record.

6 CHAIRMAN CLARK: I'll allow the question.
7 You're just asking a summary question as to whether or
8 not those items that you have listed relate to image
9 enhancing?

10 MR. WILLINGHAM: Correct.

11 WITNESS SMALL: That would be a qualified yes,
12 given the things that we discussed individually on each
13 item.

14 Q (By Mr. Willingham) Are you staying --

15 A Am I understanding your question right or --

16 Q My question was, I was asking that they do not
17 relate to image building and good will. Is that your
18 testimony, that they do or --

19 A The list of the group?

20 Q Correct.

21 A Okay, then excuse me, I misunderstood your
22 question. No, given the discussions that we had on them
23 individually.

24 Q No, they do not relate to image building and
25 good will?

1 A Given the limits of what we discussed.

2 Q Would you accept, subject to check, that
3 Item Nos. 2, 4, 5, 6 -- do you have those?

4 A I'm marking them.

5 Q It's 2, 4, 5, 6, 7, 8, 9, 10 and 12 are all
6 expenses that were incurred pursuant to the requirements
7 of the Securities and Exchange Commission?

8 A You're stating that those are required by the
9 SEC? That's what you're asking me to assume?

10 Q No, I'm asking you if you know whether or not
11 they are.

12 A No, I do not.

13 Q I'm sorry, what was your answer?

14 A You're asking me if I knew whether they were
15 required?

16 Q That's correct. That's the first question.

17 A No, I do not.

18 Q Would you accept subject to check that they
19 are?

20 MR. JAEGER: Chairman Clark, I'm not sure how
21 he is going to check that. I object to that part. How
22 do you propose that he check that?

23 MR. WILLINGHAM: I think there's a lot of ways
24 to check it, actually, but it's not that important.
25 We'll move on.

1 CHAIRMAN CLARK: So you withdraw that
2 question?

3 MR. WILLINGHAM: Right, I'll withdraw that
4 question.

5 Q (By Mr. Willingham) I would like it move on
6 to Audit Exception No. 6, which addresses expenses
7 associated with the Utility's write-off of approximately
8 \$19,143 for an abandoned preliminary survey and
9 investigation project, and SSU reported the cost in the
10 category of contractual services/other. But you
11 recommend that the amount should be charged to either
12 category miscellaneous expense or category miscellaneous
13 non-utility expense; is that correct?

14 A That's correct.

15 Q Are you aware that the project at issue here
16 was fully written off in 1994 by Southern States?

17 A I've got two projects on my mind. Let me
18 check on that.

19 CHAIRMAN CLARK: While he's checking on that.
20 Let me ask a question. I'm looking through the list of
21 witnesses and I see for SSU Richard Harvey, and it
22 doesn't look like he's going to be available for the
23 rest of the time we're in this session. Have I misread
24 that?

25 MR. ARMSTRONG: Madam Chair, he has agreed to

1 make himself available all day tomorrow. We've -- we
2 had asked at the prehearing if we could have him first
3 tomorrow.

4 CHAIRMAN CLARK: What's the date tomorrow?

5 MR. ARMSTRONG: The 8th. We pulled him out to
6 get him on the 8th. Thank you.

7 MR. JAEGER: Chairman Clark, as regards Audit
8 Exception No. 6, I don't see where that's an issue in
9 this case, so I would object to any questioning on this
10 now. I think it's been either stipulated out -- I can't
11 find it anywhere under Jeffery Small as an issue. It's
12 not -- it's just not an issue that I see.

13 MR. WILLINGHAM: It's in his prefiled
14 testimony. We can move to strike it from his testimony
15 if that's your request, Mr. Jaeger. (Pause)

16 CHAIRMAN CLARK: Mr. Jaeger, are you looking
17 at his testimony to see if we need to strike it or what
18 are we doing here?

19 MR. JAEGER: I just -- I'm trying to figure
20 out where it's an issue. I'm not sure why -- I can't
21 find where it's even an issue in the case. I'm trying
22 to find out where it is in his testimony other than the
23 audit exception itself.

24 We withdraw the objection.

25 CHAIRMAN CLARK: Okay. Go ahead,

1 Mr. Willingham.

2 Q (By Mr. Willingham) Have you had a chance to
3 find the answer yet?

4 A Okay, let me make sure that we're talking
5 about the same project. This was a project for -- I
6 believe it was \$19,143.

7 Q That's correct.

8 A And it was a PS&I project that was written off
9 because of a potential sinkhole that threatened the site
10 for the proposed storage tank and building at Well No.
11 10 at Deltona Lakes.

12 Q That's correct. And my question was, are you
13 aware that this project was fully written off in 1994?

14 A You're saying it was completely written off in
15 1994?

16 Q I'm just asking you if you were aware that it
17 was written off in '94.

18 A From the Company documentation provided, yes.

19 Q Are you aware that the MFRs filed in this
20 proceeding are based upon SSU's 1995 budget?

21 A Yes. But the 1995 budget was based on
22 estimates and other matters or other things coming from
23 '94, if I remember right. You can correct me if I'm
24 wrong.

25 Q Okay. Do you know if there was any

1 amortization expense relating to this project that was
2 included in SSU's 1995 budget?

3 A In 1995?

4 Q Correct.

5 A It was not included in the '95 budget, from
6 what I see here.

7 Q Thank you. Does this write-off impact working
8 capital for 1995 in any way? (Pause)

9 A I don't believe so. Can we step back to that
10 question you asked me before? What was that question
11 again, please?

12 Q Was there any amortization expense relating to
13 this project that was included in SSU's 1995 budget?

14 A I would like to correct my answer on that.
15 I'm not sure if it was in the budget, but I did find
16 that it was in their general ledger. There was \$1,021
17 written off to amortization of Deltona Lakes abandoned
18 PS&I.

19 Q All right, but --

20 A That was on January 4 of 1995.

21 Q All right, but your testimony is you do not
22 know if that was in the --

23 A I don't know if it was in the budget. I don't
24 know if it was in their budget numbers. But I'm saying
25 it was in their actual numbers per their books and

1 records.

2 Q Okay, would you agree that Audit Exception
3 No. 6 should not impact the Commission's decision in
4 this proceeding?

5 A Number wise, I would agree, but I would think
6 that account wise that, depending on where the
7 Commission determines for them to say where to book this
8 type of cost off to in the future, it would.

9 Q Do you agree that Audit Exception No. 6
10 actually should be considered a disclosure instead of an
11 exception, as there are at least two categories to which
12 you believe these various amounts could be charged?

13 A No.

14 Q No, you don't? I believe your testimony
15 discusses the difference between a -- an exception and a
16 disclosure; is that correct? I believe if you'll look
17 at Page 2 of your direct testimony, Line 4, where it
18 states that, "Audit exceptions disclose substantial
19 non-compliance with the Uniform System of Accounts."

20 A I see that.

21 Q And my question really is if there's, in your
22 mind at least, two different accounts where this money
23 could go; would that be considered substantial
24 non-compliance if they put it in possibly a wrong
25 account when there's not one account that it clearly

1 belongs in?

2 A Part of the purpose of the exception was to
3 state that it did not belong in Account 635, contractual
4 services.

5 Q All right, with respect to Audit Exception
6 No. 6, wouldn't you agree that since the expense at
7 issue has been fully amortized --

8 A Amortized.

9 Q -- amortized, thank you, it doesn't affect
10 this case?

11 A The numbers don't, no.

12 Q Okay, thank you. We'll leave No. 6. If we
13 could go on to Audit Disclosure No. 4. And Audit
14 Disclosure No. 4 addresses the Seaboard System in
15 Hillsborough County. You are you aware that SSU's
16 facilities in Hillsborough County are not included in
17 this rate case?

18 A That is correct. However, can I qualify
19 that?

20 Q Sure.

21 A At the time this was written, I believe --
22 see, when we went in for the audit, that's when the MFRs
23 came out, and it was -- did not include the
24 non-regulated counties. Then there was some revised
25 MFRs came in where they had to file revised MFRs that

1 included the non-reg counties, and that was the basis of
2 this one.

3 Q Right.

4 A Prior -- since that time, I understand it, the
5 non-reg counties have been removed from consideration.
6 So that's how -- this is kind of like fill in the cracks
7 there.

8 Q Right, and I understand there's a timing
9 issue, and I'm not trying to put blame on you for
10 anything, but I just wanted to clarify. And my next
11 question is, since Seaboard is not included in this rate
12 case, would you agree that Audit Disclosure No. 4 should
13 not impact the Commission's decision in this proceeding?

14 A That is correct.

15 Q Next we'll go on to Audit Disclosure No. 5,
16 which addresses the sludge hauling expense for the
17 Beechers Point and Palm Port systems. I believe you
18 stated that these should be treated as nonrecurring
19 expenses?

20 A That is correct.

21 Q Isn't it true that these expenses actually
22 include some recurring sludge hauling?

23 A It depends on your definition of sludge
24 hauling. I believe I quoted in there what NARUC
25 determines as sludge hauling, which is, "This account

1 shall include the cost of removal of sludge if such work
2 is performed..." And from the Company documentation
3 provided to me, it was my understanding that they were
4 hauling treated effluent out of the perc ponds, which in
5 my opinion was not sludge.

6 Q So is it your testimony or is it your
7 understanding that these expenses did not include any
8 sludge hauling?

9 A That was my understanding from the information
10 provided by the Company.

11 Q Okay, on Page 3, Lines 18 through 20 of your
12 direct testimony, you state -- I'm sorry, Page 3, Lines
13 18 through 20.

14 A Okay.

15 Q You state that the hauling expense "should not
16 be treated as a recurring O&M expense because a more
17 cost-effective method should be developed." What, if
18 any, alternative methods are you aware of that are more
19 cost-effective than the method currently employed by
20 SSU?

21 A I'm not an engineer, so I wouldn't speculate
22 on that.

23 Q So you don't know of any other methods that
24 are more cost-effective than the current method?

25 A No.

1 Q Okay, thank you. Do you know whether SSU has
2 evaluated any alternatives to the method that it is
3 currently using?

4 A From the information provided me by the
5 Company, when I specifically asked for all information
6 relating to this, they did not provide me with anything
7 saying that they had looked into any other alternatives.

8 Q Okay, and they have not subsequently provided
9 you with any information?

10 A No, sir.

11 Q Okay, thank you. Do you agree that any
12 alternative selected by SSU will involve at least some
13 recurring cost to provide for effluent disposal for
14 Beechers Point?

15 A Could you repeat that, please?

16 Q Sure. Would you agree that any alternative
17 selected by SSU will involve at least some recurring
18 cost to provide for effluent disposal for Beechers
19 Point?

20 A I could agree with that.

21 Q How about the same question for Port Palm?

22 A I could agree with that.

23 Q Okay. Thank you. If we could move on to
24 Audit Disclosure No. 7. And Audit Disclosure No. 7
25 addresses SSU's conservation expenses. Is it your

1 testimony that SSU should not be allowed to recover
2 expenses for conservation programs that have not been
3 preapproved by the Commission?

4 A The purpose of this disclosure was to disclose
5 the fact that SSU has instituted a conservation program
6 and to let the Commission know that this program
7 existed. Now whether the Commission allows those or
8 not, that's not my determination.

9 Q Well, are you making a recommendation as to
10 whether SSU's expenses related to conservation should be
11 approved or not?

12 A No, I am not.

13 Q Okay, so you're not making any recommendation
14 at all?

15 A No, sir.

16 Q Thank you. If we could go on to Audit
17 Disclosure No. 8, which addresses the purchased power
18 expense for the Deltona Lakes system. Are you aware
19 that through April of 1996, that the purchased power
20 expense for the Deltona Lakes system is approximately
21 \$4200 over the budgeted amount for the same period?

22 A I am not aware of that information.

23 Q Okay, subject to check, would you agree that
24 if the purchased power expense for Deltona Lakes is over
25 budget through April of 1996, that the cost of purchased

1 power -- I'm sorry, strike that question.

2 A Excuse me, can you back up one? What did you
3 say was the percentage it was over budget in April of
4 '96?

5 Q I'm not sure I said a percentage.

6 A Oh, you just stated it was over budget?

7 Q Right, well I -- I'm going to strike that
8 question, but --

9 A Okay.

10 Q Subject to check, if the system is -- for
11 purchased power -- is \$4200 over budget so far for 1996,
12 would you recommend an adjustment in Audit Disclosure
13 No. 8 be different?

14 A You're saying that as of when, in April of
15 '96?

16 Q Right, year to date.

17 A The actual is exceeding budget by \$4200?

18 Q That's correct, for the first four months of
19 1996, subject to check, if the actual has exceeded the
20 budget by \$4200, would that change your recommended
21 adjustment in Audit Disclosure No. 8?

22 A Which adjustment? I have two. There's one
23 for interim 1995 and one for projected '96. Are you
24 talking about for '96 or '95?

25 Q 1996. (Pause)

1 A That would depend on other factors that you're
2 not giving me, like the performance -- what happened in
3 '95, because the '96 -- my 1996 proposed adjustment is
4 based on that three-year averaging that I've worked on,
5 and if you was to give it to -- if I had the actual for
6 '95, then I would move up my calculations a year. I
7 would stay with the same format that I use. So the
8 number would change, but it would depend on what the
9 effects would be from the '95 -- 1995, possibly.

10 Q Okay, thank you.

11 A You understand what I'm saying?

12 Q I think so, yes. Thanks. Last one I would
13 like to go to is Audit Disclosure No. 11, which
14 addresses the projected expenses for the Hepatitis
15 immunization program. Isn't it true your recommended
16 adjustments are based upon a cost of immunization per
17 employee of \$80?

18 A That's correct.

19 Q Would your recommended adjustment be different
20 if the actual cost per employee was \$160? (Pause)

21 A Depending on the information you gave me to
22 back up that cost of \$160, yes.

23 Q Have you seen SSU's Response to the Commission
24 Staff's Interrogatory No. 336?

25 A I believe I have it here.

1 MR. WILLINGHAM: Commissioner, could I
2 identify this as an exhibit?

3 CHAIRMAN CLARK: The next number I have is
4 Exhibit 192.

5 MR. JAEGER: 193, I believe, isn't it?

6 CHAIRMAN CLARK: Yes, thank you.

7 (Exhibit No. 193 marked for identification.)

8 CHAIRMAN CLARK: This is SSU's Response to
9 FPSC Interrogatory No. 336.

10 Q (By Mr. Willingham) You said you have seen
11 this document before?

12 A I haven't seen this whole thing, no. I have
13 seen the top page.

14 Q Okay. If the --

15 A Actually I've seen two pages. There's this
16 336 and then there's this -- something that's labeled as
17 336-B, Page 1 of 1. It's a copy from I guess SSU's
18 budget.

19 Q If the actual cost is \$160, would you agree
20 with the calculations on the front page of that
21 document?

22 A You're saying the calculations in the second
23 paragraph of the response?

24 Q Yes, that's correct. (Pause)

25 A Based on the calculations and the numbers as

1 given in this document, yes.

2 Q Could you please turn to -- it's appendix
3 336-B, Page 1 of 1. It's towards the back of the
4 document.

5 A That's the one I was referring to earlier.

6 Q Okay. If you could, look down about
7 three-fourths of the way down the page, bold letters,
8 says "Documentation" and then in capitals "Hepatitis B
9 Shots"?

10 A Yes, I see that.

11 Q Do you see how they calculated the cost per
12 employee?

13 A Yes, I do.

14 Q Do you have any reason to believe that that's
15 incorrect?

16 A No, I do not. However, I would just like to
17 point out that this document was not made available to
18 me when we were doing our field work and that's why it
19 was not --

20 Q Now that you've seen this document, does this
21 change your adjustment to Audit Disclosure No. 11?

22 A I would say that it could, given more
23 information.

24 Q All right, let me go back then. After seeing
25 this document, do you have any reason to believe that

1 the cost per employee is not \$160?

2 A Well, I don't have any factual evidence, no.

3 Q Okay.

4 MR. WILLINGHAM: I have no further questions.

5 CHAIRMAN CLARK: Redirect?

6 REDIRECT EXAMINATION

7 BY MR. JAEGER:

8 Q Just a couple. Mr. Small, regarding
9 shareholder expense, have you reviewed shareholder
10 communications in the past?

11 A No, sir.

12 Q So you're not familiar with like the annual
13 reports or communications of that nature?

14 A No, sir.

15 Q Going to Audit Disclosure No. 8 on Page 11 of
16 21, I believe Mr. Willingham asked you some questions
17 about the four months in '96 being over, and he was
18 using that to contradict your calculations for a
19 three-year period. Wouldn't the full 12 months for '96
20 be a better gauge?

21 A Yes, sir.

22 Q And you did have a three-year average before
23 that time; did you not?

24 A I used a three-year average of 1992, 1993 and
25 1994, and that's how I determined the simple average.

1 MR. JAEGER: No further questions.

2 CHAIRMAN CLARK: Exhibits.

3 MR. JAEGER: Staff moves Exhibit 192.

4 CHAIRMAN CLARK: Exhibit 192 will be admitted
5 in the record without objection.

6 MR. WILLINGHAM: And SSU moves Exhibit 193.

7 CHAIRMAN CLARK: Exhibit 193 will be admitted
8 in the record without objection.

9 (Exhibit Nos. 192 and 193 received into
10 evidence.)

11 CHAIRMAN CLARK: Thank you, Mr. Small, for
12 coming up. And I want to say thank you for all the
13 auditors for undertaking this audit and for coming up to
14 Tallahassee to testify. Thank you.

15 WITNESS SMALL: You're welcome.

16 CHAIRMAN CLARK: We'll take a ten-minute break
17 and then we will begin with Ms. Pruitt.

18 MR. JAEGER: Chairman Clark, Mr. Maurey was
19 stipulated and we would need to have his testimony
20 inserted into the record as though read, I think this
21 would be about the appropriate point.

22 CHAIRMAN CLARK: Why don't we do that when we
23 come back.

24 MR. JAEGER: Okay.

25 (Recess from 4:20 p.m. until 4:40 p.m.)

1 CHAIRMAN CLARK: We'll reconvene the hearing,
2 and I think Ms. Pruitt is our next witness.

3 MR. JAEGER: Mr. Maurey is actually between
4 her in the prehearing order.

5 CHAIRMAN CLARK: All right, so we should
6 insert his testimony in the record?

7 MR. JAEGER: Yes, 14 pages.

8 CHAIRMAN CLARK: Does he have any exhibits?

9 MR. JAEGER: Yes, he had Exhibits ALM-1
10 through 9.

11 CHAIRMAN CLARK: That's A-O-M?

12 MR. JAEGER: A-L.

13 CHAIRMAN CLARK: ALM. And what were the
14 numbers again?

15 MR. JAEGER: 1 through 9.

16 CHAIRMAN CLARK: The prefiled direct testimony
17 of Mr. Andrew Maurey will be inserted in the record as
18 though read and his exhibits, ALM-1 through 9, attached
19 to that testimony, will be marked as Exhibit 194 and
20 will be admitted in the record without objection.

21 (Exhibit No. 194 received into evidence.)
22
23
24
25

DIRECT TESTIMONY OF ANDREW L. MAUREY

1 |
2 | Q. Please state your name and address.

3 | A. My name is Andrew L. Maurey. My business address is 2540 Shumard Oak
4 | Boulevard, Tallahassee, Florida 32399-0850.

5 | Q. By whom are you employed and in what capacity?

6 | A. I am employed by the Florida Public Service Commission as Supervisor of
7 | the Finance Section.

8 | Q. Please outline your education qualifications and work experience.

9 | A. I graduated Magna Cum Laude from Florida State University in 1983 with
10 | a Bachelor of Science degree in Finance. In 1988, I received a Master of
11 | Business Administration degree with a concentration in Finance from Florida
12 | State University.

13 | Upon graduation in 1983, I accepted a credit analyst and
14 | commercial loan representative position with the First National Bank and Trust
15 | Company of Naples, Florida. After successfully completing the holding company
16 | management training program, I performed the credit analysis and loan review
17 | functions for the bank as well as other assigned duties for the commercial
18 | loan department. While with the bank, I attended several finance-related
19 | seminars and completed coursework for and received American Institute of
20 | Banking diplomas in Foundations of Banking and Commercial Lending.

21 | In 1986, I accepted a regulatory analyst position with the
22 | Hospital Cost Containment Board in the Office of the Governor. In this
23 | capacity my duties included analyzing hospital financial statements and
24 | operating budgets for regulatory compliance.

25 | After receiving my MBA degree in 1988, I accepted a regulatory

1 | analyst position with the Florida Public Service Commission (Commission). My
2 | primary responsibilities include analyzing and evaluating financial and
3 | economic data in rate case filings, preparing and presenting testimony on the
4 | cost of capital and other related issues, and preparing and presenting
5 | recommendations to the Commission regarding the cost of capital and other
6 | related issues. In addition, I also conduct research, perform financial
7 | analyses as required, and provide technical expertise to the Commission
8 | regarding public utility finance. I have been certified by the Commission as
9 | a Class B Practitioner in the areas of finance, financial analysis, cost of
10 | capital, and rate of return on equity (ROE). In September 1991, I was
11 | promoted to Regulatory Analyst Supervisor overseeing the Finance Section. I
12 | was promoted again in September 1994 to my present position as a Public
13 | Utilities Supervisor.

14 | Q. Are you a member of any professional associations or societies?

15 | A. I am a member of the National Society of Rate of Return Analysts
16 | (NSRRA). In May 1992, I was awarded the professional designation "Certified
17 | Rate of Return Analyst" (CRRRA) by the NSRRA. This designation is based upon
18 | education, experience, and the successful completion of a comprehensive
19 | examination.

20 | Q. Have you previously testified on the cost of capital?

21 | A. Yes, I have. In addition, I have participated in numerous rate
22 | proceedings on behalf of Commission Staff.

23 | Q. Do you have any exhibits attached to your testimony?

24 | A. Yes, I do. Exhibit ALM-1 is an index of the nine exhibits attached to
25 | my testimony.

1 Q. What is the purpose of your testimony in this docket?

2 A. The purpose of my testimony is to establish a fair and reasonable return
3 on the common equity capital (ROE) for Southern States Utilities, Inc. (SSU
4 or Company). I also want to comment on certain statements made by Dr. Roger
5 Morin in his testimony on behalf of the Company.

6 Q. What is your conclusion regarding a fair and reasonable return on common
7 equity for SSU?

8 A. A fair and reasonable return on common equity for SSU is 11.83%. This
9 return is based on the application of the Commission's water and wastewater
10 leverage formula approved in Order No. PSC-95-0982-FOF-WS issued on August 10,
11 1995, in Docket No. 950006-WS.

12 Q. What is the leverage formula?

13 A. The leverage formula is a linear equation that, using a given set of
14 assumptions, estimates changes in the cost of equity capital for given changes
15 in financial leverage. Pursuant to Section 367.081 (4) (f), Florida Statutes,
16 the Commission is authorized to establish, not less than once each year, a
17 leverage formula to calculate a reasonable range of returns on common equity
18 for water and wastewater (WAW) utilities.

19 Q. Why is the leverage formula used in WAW rate cases in Florida?

20 A. There are nearly 400 water and/or wastewater utilities under the
21 jurisdiction of the Commission. Without a workable methodology, such as the
22 leverage formula, it is obvious that the costs and administrative burdens of
23 having to deal with cost of equity testimony in potentially 400 rate cases
24 could become quite onerous. In addition, many of the WAW utilities under the
25 Commission's jurisdiction are small operations that find it beneficial to

1 | avoid the costs associated with presenting cost of equity testimony.
2 | Therefore, by applying a workable methodology, such as the leverage formula,
3 | costs to all parties are decreased and the public interest is served.

4 | Q. What are the theories supporting the leverage formula?

5 | A. The theories supporting the leverage formula, as it is used in Florida,
6 | are based on the works of Modigliani and Miller (1958) and Miller (1977).
7 | According to Modigliani and Miller, the overall cost of capital remains
8 | constant despite changes in leverage. Therefore, the major premise underlying
9 | the leverage formula is that firms with different equity ratios will have
10 | different costs of equity even though they have the same business risk and the
11 | same overall cost of capital. This means that the increase in required return
12 | on equity resulting from the use of leverage completely offsets the advantage
13 | of the increased use of lower cost debt. (See Modigliani and Miller, "The
14 | Cost of Capital, Corporation Finance and the Theory of Investment", American
15 | Economic Review, June 1958, pages 261-297 and Miller, "Debt and Taxes",
16 | Journal of Finance, May 1977, pages 261-275. These articles are generally
17 | recognized as authoritative sources in the field of Finance.) The derivation
18 | of the leverage formula is shown on pages 1 and 2 of Exhibit ALM-2.

19 | Q. What are the assumptions underlying the leverage formula?

20 | A. As stated in Order No. PSC-95-0982-FOF-WS, the assumptions underlying
21 | the leverage formula are:

- 22 | 1) Business risk is similar for all WAW utilities.
- 23 | 2) The cost of equity is an exponential function of the equity ratio.
- 24 | 3) The marginal weighted average cost of investor capital is constant
25 | over the 40% to 100% equity ratio range.

1 4) A Moody's Baa3 bond yield, plus a private placement premium of 25
2 basis points, is representative of the marginal cost of debt to
3 the average Florida WAW utility over a 40% to 100% equity ratio
4 range.

5 5) In order to discourage imprudent financial risk, the allowed
6 return on common equity for utilities with equity ratios below 40%
7 should be limited to the return indicated at a 40% equity ratio.

8 Q. How is the required return on common equity used in the leverage formula
9 determined?

10 A. In the current leverage formula, the 11.88% return on common equity is
11 comprised of four segments. First, a 10.78% return on equity is derived by
12 averaging the results of two discounted cash flow (DCF) analyses, a Risk
13 Premium analysis, and a Capital Asset Pricing Model (CAPM) analysis. One
14 third weight is assigned to the average of the two DCF analyses, one third
15 weight to the Risk Premium analysis, and one third weight to the CAPM
16 analysis.

17 Second, a bond yield differential adjustment of 51 basis points is added
18 to reflect the difference in risk between the indices of companies used in the
19 DCF and Risk Premium models and an average WAW utility in Florida. Third, a
20 private placement premium of 25 basis points is added to recognize that
21 Florida WAW utilities do not have access to the public debt and equity
22 markets. Finally, an adjustment of 34 basis points is added to reflect the
23 required return on equity at a 40% equity ratio.

24 Q. How are the DCF models applied?

25 A. The DCF models are applied to an index of publicly traded WAW utilities.

1 | The difference between the two applications is one relies on historic growth
2 | rates and the other relies on projected growth rates. In the past, only a DCF
3 | analysis using historic growth rates was used because of a lack of projected
4 | financial information on publicly traded WAW utilities. However, projected
5 | information is now available to do a prospective DCF analysis. The results
6 | of the DCF analyses used in the leverage formula are shown on Exhibits ALM-3
7 | and ALM-4.

8 | Q. How is the Risk Premium model applied?

9 | A. The Risk Premium model is applied to an index of publicly traded natural
10 | gas utilities. Although in general I believe that individual WAW utilities
11 | in Florida are less risky than individual natural gas utilities which operate
12 | in this state, a comparison of the averages of the financial statistics of the
13 | Value Line index of large, publicly traded WAW utilities with the financial
14 | statistics of the Moody's index of large, publicly traded natural gas
15 | utilities indicates that the WAW index on average may be more risky than the
16 | natural gas index. To compensate for this perceived difference in risk
17 | between the index of natural gas companies and the index of WAW utilities, the
18 | Commission recognizes a risk premium in the determination of the ROE used in
19 | the leverage formula. Using the difference between the average beta of the
20 | WAW and natural gas indices (.64-.61=.03) and the prospective market risk
21 | premium of 5.9% determined in the CAPM analysis, a natural gas premium of 18
22 | basis points was derived. Exhibit ALM-5 provides the supporting documentation
23 | for the derivation of the Risk Premium model.

24 | Q. How is the CAPM applied?

25 | A. A prospective CAPM analysis is applied to the market as a whole and the

1 result is reflected in the leverage formula approved in Order No. PSC-95-0982-
2 FOF-WS. The inputs and the result of the CAPM analysis are shown on Exhibit
3 ALM-6.

4 Q. Based on the results of the DCF, Risk Premium, and CAPM analyses, what
5 is the cost of common equity for the indices?

6 A. Based on the results of the DCF, Risk Premium, and CAPM analyses, the
7 cost of common equity for the indices is within the range of 10.4% and 11.0%.

8 Q. Is this result an appropriate measure of the cost of equity for an
9 average WAW utility in Florida?

10 A. No, it is not. The range of returns of 10.4% to 11.0% is the estimate
11 of the cost of equity for the indices of large, publicly traded water
12 utilities and natural gas companies. In my opinion, the average WAW utility
13 in Florida is riskier than the companies which comprise the indices and
14 therefore should be allowed a higher cost of equity.

15 Q. What adjustment is made to reflect the difference in risk between the
16 average WAW utility in Florida and the indices?

17 A. A bond yield differential study is used to estimate the additional
18 return required by an average WAW utility in Florida over the return required
19 by the indices. The bond yield differential adjustment of 51 basis points is
20 comprised of the bond yield differential between the yield on A1-rated bonds
21 and the assumed yield on Baa3-rated bonds. (See Exhibit ALM-7). The A1
22 rating is the average bond rating for both the natural gas index and the WAW
23 index and the Baa3 rating is the bond rating assumed for the average WAW
24 utility in Florida.

25 In addition to the bond yield differential, a private placement premium

1 | of 25 basis points is added to recognize that Florida WAW utilities do not
2 | have access to the public debt and equity markets. The premium is based on
3 | the results of surveys of participants in the private placement market
4 | conducted by staff and a review of the financial literature. Finally, a 34
5 | basis point adjustment is made to reflect the difference between the required
6 | rate of return at a 40.0% equity ratio and the required rate of return at the
7 | 45.4% equity ratio average for the indices of WAW utilities and natural gas
8 | utilities. (See Exhibits ALM-8 and ALM-9).

9 | Q. What is the appropriate return on equity for the average WAW utility in
10 | Florida based on this approach?

11 | A. As indicated on page 1 of Exhibit ALM-2, the average cost of equity for
12 | the indices is 10.78%. After adding a bond yield differential of 51 basis
13 | points and a private placement premium of 25 basis points, and making the
14 | adjustment necessary to compute the required return on equity at a 40% equity
15 | ratio, the resulting return on equity is 11.88%.

16 | Q. What is the leverage formula approved in Order No. PSC-95-0982-FOF-WS?

17 | A. The leverage formula is:

18 | Return on Common Equity = 9.05% + 1.131/Equity Ratio where the
19 | Equity Ratio = Common Equity / (Common Equity + Preferred
20 | Equity + Long-Term and Short-Term Debt)

21 | Q. Based on this formula, what is the required return on equity for SSU?

22 | A. Based on this formula and the equity ratio indicated on Schedule D-1 of
23 | the Company's MFR filing of 40.7%, a fair and reasonable return on equity for
24 | SSU is 11.83%.

25 | Q. Have you read the testimony filed by Dr. Morin on behalf of the Company?

1 | A. Yes, I have.

2 | Q. Did he recommend any changes to the Commission's WAW leverage formula?

3 | A. Yes, he did. Dr. Morin participated in the Commission workshop on
4 | return on equity for WAW utilities held on February 23, 1995 on behalf of the
5 | Florida Waterworks Association and he filed testimony in this docket on June
6 | 28, 1995 on behalf of SSU. With one exception, he recommends the same changes
7 | to the leverage formula methodology in his testimony in this proceeding that
8 | he advocated during his presentation at the workshop.

9 | Q. Please summarize the specific suggestions Dr. Morin has recommended for
10 | amending the leverage formula.

11 | A. Although he endorses the use of a generic mechanism, such as the
12 | leverage formula, in the determination of a fair ROE, he has made seven
13 | suggestions for amending the leverage formula. Specifically, he suggests the
14 | Commission:

- 15 | 1) incorporate a CAPM analysis to complement the existing DCF and
16 | Risk Premium analyses,
- 17 | 2) correct for an averaging error with the historical DCF analysis,
- 18 | 3) add a risk premium of 30 to 35 basis points to the results
19 | indicated by the Risk Premium analysis,
- 20 | 4) recalculate the bond yield differential to measure the difference
21 | in returns between Baa3/Ba and A1 bond ratings,
- 22 | 5) add a private placement premium of 50 basis points to the average
23 | return indicated by the ROE models,
- 24 | 6) allow the cost of debt to vary by plus or minus 50 basis points
25 | over the range of equity ratios, and

1 7) relax the constraint of a minimum equity ratio of 40% to 30%.

2 Q. What is your opinion regarding incorporating a CAPM analysis in the
3 determination of the ROE used in the leverage formula?

4 A. I do not believe a CAPM analysis based on the averaging of historic,
5 earned returns over the past 68 years should be used to estimate the expected
6 return on equity because realized returns can be substantially different from
7 prospective returns anticipated by investors. However, a CAPM analysis based
8 on prospective returns does not suffer from this deficiency. As noted earlier
9 in my testimony, a prospective CAPM analysis is incorporated in the
10 determination of the cost of equity relied on in the leverage formula approved
11 by the Commission in Order No. PSC-95-0982-FOF-WS. The CAPM analysis is based
12 upon the framework suggested by Dr. Morin during the WAW ROE workshop.

13 Q. What is your opinion as to whether there is an averaging error in the
14 DCF analysis based on historical growth rates?

15 A. In previous leverage formulas there was a mathematical error associated
16 with averaging stock prices, yields, and growth rates in the computation of
17 the DCF model. Staff reviewed the model and corrected this minor error. The
18 leverage formula approved in Order No. PSC-95-0982-FOF-WS reflects this
19 change.

20 Q. What is your opinion regarding the relative riskiness of the WAW index
21 compared to the natural gas index?

22 A. As mentioned earlier in my testimony, a comparison of the averages of
23 the financial statistics of the Value Line index of large, publicly traded WAW
24 utilities with the financial statistics of the Moody's index of large,
25 publicly traded natural gas utilities indicates that the WAW index on average

1 | may be more risky than the natural gas index. To compensate for this
2 | perceived difference in risk, a premium of 18 basis points is incorporated in
3 | the determination of the leverage formula approved in Order No. PSC-95-0982-
4 | FOF-WS. The 18 basis point premium used in the leverage formula is based on
5 | the actual beta differential of .03 and the market risk premium derived from
6 | the prospective CAPM analysis of 5.9%.

7 | Q. What is your opinion regarding calculating the bond yield differential
8 | as the difference between Baa3/Ba yields and A1 yields?

9 | A. The Commission began using the Baa2 rating and the corresponding cost
10 | rate in the bond yield differential study because this rate is readily
11 | available and because any rating below Baa is considered speculative with
12 | respect to the payment of interest and the repayment of principal. Given
13 | prudent management and supportive regulation, I do not believe it is
14 | appropriate to consider the average Florida WAW utility's ability to pay
15 | interest and repay principal as speculative. Although a Baa3 rate is not
16 | readily available, an approximate rate can be derived using a bond yield
17 | differential study. This adjustment is incorporated in the leverage formula
18 | approved in Order No. PSC-95-0982-FOF-WS.

19 | Q. What is your opinion regarding the need for a private placement premium
20 | for Florida WAW utilities?

21 | A. I believe it is necessary to consider a private placement premium to
22 | recognize that Florida WAW utilities do not have access to the public debt and
23 | equity markets. Because of their small size, lack of institutional interest
24 | in their securities, and the lack of liquidity of their issues, Florida WAW
25 | utilities must rely on the private placement market to obtain capital. The

1 | results of staff's survey of the private placement market and its review of
2 | recent financial literature support the finding of a 25 basis point premium.
3 | A private placement premium of 25 basis points is incorporated in the
4 | derivation of the leverage formula approved in Order No. PSC-95-0982-FOF-WS.

5 | Q. What is your opinion regarding whether the cost of debt should be
6 | allowed to vary by plus or minus 50 basis points over the range of equity
7 | ratios?

8 | A. I recommend against incorporating such an adjustment in the leverage
9 | formula for two reasons. First, from a practical standpoint it would be
10 | administratively burdensome to recalibrate the leverage formula every time it
11 | is used. Second, from a theoretical standpoint such a change is not
12 | necessary. The theories underlying the leverage formula, as used in Florida,
13 | are based on the works of Modigliani and Miller (1958) and Miller (1977).
14 | According to Modigliani and Miller, the risk of financial leverage falls
15 | entirely on equity and, therefore, the cost of debt remains constant as
16 | leverage increases. Although it is reasonable to expect that as the amount
17 | of debt in the capital structure becomes excessive the cost of debt and equity
18 | will rise, I believe a debt ratio of 60% for a regulated WAW utility is not
19 | excessive. In Order No. PSC-95-0982-FOF-WS, the Commission agreed it is
20 | reasonable to make the assumption the cost of debt remains constant over the
21 | 40% to 100% equity ratio range.

22 | Q. What is your opinion regarding the Commission practice of limiting the
23 | allowed return to the return indicated at an equity ratio of 40%?

24 | A. The Commission has capped the allowed return at the level indicated at
25 | a 40% equity ratio to discourage the use of high leverage. I continue to

1 | believe this approach is reasonable and I recommend the Commission not change
2 | this practice. Given that the average equity ratio for the index of publicly
3 | traded WAW utilities is 42.0% and given the consensus opinion that the WAW
4 | utilities in Florida are more risky than the utilities in the index, it is
5 | only logical to assume the average Florida WAW utility should strive for an
6 | equity ratio higher than the average for the index. This being the case, the
7 | Commission should not reward utilities with equity ratios below 40% with a
8 | higher allowed ROE. In Order No. PSC-95-0982-FOF-WS, the Commission agreed
9 | that the cap should remain at the return indicated at a 40% equity ratio.

10 | Q. Please summarize your testimony.

11 | A. The purpose of my testimony is to establish a fair and reasonable return
12 | on the common equity capital for SSU. Based on the application of the
13 | Commission's leverage formula approved in Order No. PSC-95-0982-FOF-WS, I
14 | recommend an allowed ROE of 11.83%, with a range of plus or minus 100 basis
15 | points, be approved for ratemaking purposes.

16 | Q. Does this conclude your testimony?

17 | A. Yes, it does.

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1 MS. O'SULLIVAN: Chairman Clark, a few more
2 stipulations have come to light for DEP witnesses.

3 CHAIRMAN CLARK: Okay.

4 MS. O'SULLIVAN: Mr. Twomey has advised me
5 that they can stipulate now to the witnesses set for
6 tomorrow from Tampa, William Ryland and Sandra Sequeira,
7 and the witness set from West Palm Beach, Deborah Lee
8 Oblaczynski, which leaves basically the Jacksonville
9 witnesses only to be taken for live testimony.

10 CHAIRMAN CLARK: Do you want to take care of
11 that now?

12 MS. O'SULLIVAN: I don't have the testimony in
13 front of me now. I'll do it tomorrow morning. I just
14 wanted to advise the parties and the Commission.

15 CHAIRMAN CLARK: And you will advise those
16 witnesses that they do not have to appear for the --

17 MS. O'SULLIVAN: Yes, I will call them as soon
18 as I can and also cancel teleconferencing as well.

19 CHAIRMAN CLARK: From West Palm and Tampa, but
20 you will not cancel it from --

21 MS. O'SULLIVAN: Jacksonville.

22 CHAIRMAN CLARK: I guess Jacksonville is
23 Thursday?

24 MS. O'SULLIVAN: That's correct.

25 CHAIRMAN CLARK: Thank you.

1 MS. O'SULLIVAN: Thank you.

2 CHAIRMAN CLARK: Now are we ready for
3 Ms. Pruitt?

4 MS. O'SULLIVAN: Yes.

5 NANCY PRUITT

6 was called as a witness on behalf of FPSC Staff, and
7 having been duly sworn, testified as follows:

8 DIRECT EXAMINATION

9 BY MS. O'SULLIVAN:

10 Q Please state your name for the record.

11 A Nancy Pruitt.

12 Q Have you prefiled direct testimony in this
13 docket consisting of six pages?

14 A Yes, I have.

15 Q Do you have any changes or corrections to your
16 testimony?

17 A No, I don't.

18 Q Chairman Clark, may we have Ms. Pruitt's
19 testimony inserted in the record as though read?

20 CHAIRMAN CLARK: The prefiled direct testimony
21 of Nancy Pruitt will be inserted in the record as though
22 read.

23 MS. O'SULLIVAN: Thank you.

24 Q (By Ms. O'Sullivan) Ms. Pruitt, did you also
25 file Exhibit Nos. NEP-1 and NEP-2 attached to your

1 testimony?

2 A Yes, I did.

3 Q Do you have any changes or corrections to
4 those exhibits?

5 A No, I don't.

6 Q May we have these exhibits identified, please?

7 CHAIRMAN CLARK: NEP-1 and 2 will be
8 identified as Exhibit 195.

9 (Exhibit No. 195 marked for identification.)

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1 DIRECT TESTIMONY OF NANCY PRUITT

2 Q Please state your name and business address.

3 A My name is Nancy Pruitt, 2540 Shumard Oak Boulevard, Tallahassee,
4 Florida 32399.

5 Q By whom are you employed and in what capacity?

6 A I am employed by the Florida Public Service Commission as a Consumer
7 Services Consultant in the Division of Consumer Affairs.

8 Q Please give a brief description of your educational background and
9 professional experience.

10 A I graduated from Florida State University in 1972 with a Bachelor of
11 Arts Degree in Government. I began employment with the Commission in January
12 1990 and have held various positions in the Division of Consumer Affairs
13 including Consumer Complaint Analyst and Senior Complaint Analyst, and my
14 present position as Consumer Services Consultant.

15 Q What are your present responsibilities with the Commission?

16 A I review all customer complaints received and closed by the analysts in
17 the Division of Consumer Affairs and conduct informal conferences in an
18 attempt to resolve consumer disputes. I prepare and review reports on various
19 consumer issues and review complaint data to track problem areas and trends.
20 I represent the Division of Consumer Affairs on various docketed matters as
21 staff or as a witness and serve as technical liaison to the other Divisions
22 at the Commission.

23 Q What is the purpose of your testimony?

24 A The purpose of my testimony is to the present the complaint activity in
25 the Division of Consumer Affairs involving Southern States Utilities, Inc. for

1 | the years 1994 and 1995.

2 | Q Describe any preliminary screening that may take place before a
3 | complaint is logged to be investigated.

4 | A A complaint is not logged unless the analyst receiving the contact
5 | determines that the matter appears to be within the jurisdiction of the
6 | Commission and that there is reason to believe that the complaint may be
7 | justified. If it appears there is nothing the Commission can do to help, or
8 | the complaint is clearly not justified, the consumer is so advised.

9 | Q What procedure is followed when a complaint is logged?

10 | A Information is entered by computer on a consumer request form, and the
11 | company is requested to review the complaint and respond. When the response
12 | has been received, both the complaint and the response are reviewed by the
13 | analyst to determine compliance with Commission rules and company tariffs and
14 | to determine what other action, if any, needs to be taken.

15 | Q How many complaints were logged against Southern States Utilities, Inc.
16 | during 1994?

17 | A Records show that 77 complaints were logged against Southern States
18 | Utilities, Inc. during 1994.

19 | Q How do these figures compare with complaint activity for 1993?

20 | A Complaints were down 11% from 1993. There were 77 complaints logged
21 | against the company during 1994, compared to 87 during 1993.

22 | Q How many complaints were logged against Southern States Utilities, Inc.
23 | in 1995 and how does this figure compare with 1994?

24 | A In 1995, 86 complaints were logged against the company. This figure
25 | represents an increase of almost 12% over the complaints logged in 1994.

1 Q How does the above complaint activity compare with complaint activity
2 figures for preceding calendar years?

3 A EXH NEP-1 is a graph of Southern States Utilities, Inc.'s complaint
4 activity for the past six years.

5 Q What types of complaints were received against Southern States
6 Utilities, Inc. during 1994?

7 A During 1994, Consumer Affairs received 41 complaints about billing and
8 36 about service-related matters.

9 Q What types of complaints were received against Southern States
10 Utilities, Inc. during 1995?

11 A During 1995, the Division received 39 complaints about billing and 47
12 about service-related matters.

13 Q Were the complaints classified more specifically?

14 A Yes. After an analyst takes a complaint, he or she determines whether
15 the complaint is related to a service or billing problem. Then the analyst
16 chooses one of approximately 30 more specific classification categories to
17 further identify the complaint.

18 Q What were the major types of complaints received against Southern States
19 Utilities, Inc. in 1994?

20 A The top five complaint types were high bills (17), water pressure (6),
21 improper disconnection of service (5), water quality (4), and business office
22 problems (4).

23 Q What were the major types of complaints received against Southern States
24 Utilities, Inc. in 1995?

25 A The top seven complaint types were high bills (20), water quality (18),

1 | miscellaneous service problems (5), reconnect charges (4), water pressure (4),
2 | improper disconnection of service (4), and business office problems (4). EXH
3 | NEP-2 shows the major complaint types for 1994 and 1995.

4 | Q Do Consumer Affairs records show what part of the company's service area
5 | had the most complaints?

6 | A Yes. During 1994 customers logged 11 complaints in both Lee and Volusia
7 | Counties (14% each) followed by Lake County with eight complaints (10%), and
8 | both Duval and Hernando Counties with seven complaints (9% each). During 1995
9 | customers in Duval County logged 25 complaints (29%) followed by Volusia
10 | County with 15 complaints (17%) and Lee County with 6 complaints (7%).

11 | Q How was the complaint justification determined?

12 | A When an analyst reviews a company's report and closes a complaint, the
13 | analyst determines whether the complaint is justified, not justified, or has
14 | some justification. The determination is noted on the complaint file. In
15 | each case, determination is based on commission rules, company tariffs, and/or
16 | common sense guidelines. Every effort is made to be as objective as possible.

17 | Q What was the justification for the 1994 complaints logged against
18 | Southern States Utilities, Inc.?

19 | A Twenty (20) of the complaints received in 1994 were determined to be
20 | justified. This represents approximately 26% of the total complaints logged
21 | against Southern States Utilities, Inc. in 1994.

22 | Q What was the justification for the 1995 complaints logged against
23 | Southern States Utilities, Inc.?

24 | A Seventy-five (75) of the 86 1995 complaints had been closed as of
25 | February 20, 1996. Of the 1995 closed complaints, 20 were determined to be

1 justified. This represents 27% of the 1995 closed cases.

2 Q What was the justification for the major types of complaints logged
3 against Southern States Utilities, Inc. in 1994?

4 A There were 17 complaints logged concerning high bills. Of these
5 complaints, two were determined to be justified. Of the six water pressure
6 complaints, one was determined to be justified. Of the five improper
7 disconnect complaints, none were determined to be justified. Of the four
8 water quality complaints, one was determined to be justified. Of the four
9 business office complaints, two were determined to be justified.

10 Q What was the justification for the major types of complaints logged
11 against Southern States Utilities, Inc. in 1995?

12 A There were 20 complaints logged concerning high bills. Of these
13 complaints, 17 were closed and two were determined to be justified. Of the
14 18 water quality complaints, 13 were closed and three were determined to be
15 justified. Of the five miscellaneous service complaints, all were closed and
16 two were determined to be justified. Of the four reconnect charge complaints,
17 all were closed and none were determined to be justified. Of the four water
18 pressure complaints, all were closed and two were determined to be justified.
19 Of the four improper disconnection of service complaints, all were closed and
20 one was determined to be justified. Of the four business office complaints,
21 all were closed and two were determined to be justified.

22 Q What is the percentage of Southern States Utilities, Inc.'s logged
23 complaints to the industry as a whole in 1994?

24 A In 1994 complaints were logged against 78 regulated water and wastewater
25 companies. Of the 336 industry complaints in 1994, 77 (23%) were logged to

1 | Southern States Utilities, Inc.

2 | Q What is the percentage of Southern States Utilities, Inc. logged
3 | complaints to the industry as a whole in 1995?

4 | A In 1995 complaints were logged against 65 regulated water and wastewater
5 | companies. Of the 331 industry complaints in 1995, 86 (26%) were logged to
6 | Southern States Utilities, Inc.

7 | Q Does this conclude your testimony?

8 | A Yes.

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1 MS. O'SULLIVAN: Thank you. The witness is
2 tendered for cross.

3 CHAIRMAN CLARK: Mr. Beck.

4 MR. BECK: Thank you, Madam Chairman.

5 CROSS EXAMINATION

6 BY MR. BECK:

7 Q Ms. Pruitt, are you generally familiar with
8 the letters and comments sent in by customers that have
9 made their way to the correspondence side of the docket
10 file?

11 A Yes, as far as their numbers go.

12 Q What is the most recent number that you know
13 of?

14 A From June of '95 through April 30th '96, we
15 sent 4,754 letters to the correspondence file.

16 Q Could you describe generally how those letters
17 are processed in the Commission?

18 A The June and July letters, each letter was
19 punched in on our Consumer Affairs complaint tracking
20 system as a letter and given a complaint tracking system
21 number. I say that because at that time the Consumer
22 Affairs was receiving from 100 to 200 letters a month on
23 a variety of subject matters for different
24 correspondence files of different dockets. In July the
25 number jumped substantially, to 600 letters in one

1 month. It was decided at that time we needed to change
2 our numbering system a little bit. Our secretarial
3 staff could not keep up with the volume of letters
4 coming in, especially with the next month jumping to
5 over 1900 letters.

6 I then volunteered to begin a numbering system
7 where all the letters came to my office and I manually
8 numbered each one beginning August 1st, at the end of
9 each month took the stack to Records and Reporting where
10 they were put with the appropriate docket file.

11 Q Does consumer affairs do any analysis or keep
12 any records about the topics that are raised in that
13 correspondence from customers?

14 A No. Only that they were on a specific docket.

15 Q Do you know what portion of those
16 communications from customers deal with service
17 complaints?

18 A No. I -- no, I do not.

19 Q Are the complaints -- on the portion of the
20 letters from customers that have service complaints, are
21 they included in statistics that you provide -- you've
22 provided with your testimony?

23 A The complaint statistics or the letter numbers
24 you're asking me about?

25 Q Let me try to re-ask it. A portion of the

1 letters from customers that are in the correspondence
2 file or side of this docket had service complaints in
3 them; do they not?

4 A They might. I do not read every letter. I
5 scan to see which docket they go into. They go to the
6 docket files where the Division of Water and Wastewater
7 staff review.

8 Q To the extent that a letter gets sent to the
9 correspondence side of the file, do any of the
10 complaints contained in those letters appear in the
11 statistics that are attached to your testimony?

12 A No.

13 Q Do you know whether any analysis has been done
14 of those complaints by customers to show -- let me try
15 to reword the question. Do you know whether any
16 analysis has been done to show the types of
17 communications and the contents of those communications
18 from customers that are in the correspondence side of
19 the file?

20 A No, I don't.

21 Q Do you know, is there any process in place at
22 the Commission that lets the commissioners be informed
23 of the contents of those communications from customers?

24 A No, I don't.

25 Q They're not routed to the commissioners that

1 you know of?

2 A I only know my steps that I take, and that is
3 after we count them, so we can have a monthly count in
4 our Consumer Affairs monthly report, that I take them to
5 Records and Reporting. I don't know if anyone does
6 anything in Records and Reporting with the letters.

7 Q So all of the complaints that you discuss in
8 your testimony, none of them are complaints that are in
9 the correspondence side of the file; is that right?

10 A That's right.

11 Q How do you determine whether a communication
12 from a customer gets processed in accordance with the
13 complaints you have in your testimony or instead gets
14 processed as a correspondence side of the file type
15 matter?

16 A Sometimes it is subjective, but if customers
17 call in and complain of a high bill or they cut off my
18 water because I did not get a notice, or something like
19 that, and they do not mention the ongoing rate case,
20 that is taken over the phone by the analyst of the
21 division and they log it in as a complaint. If they are
22 writing a letter protesting the rate case and maybe
23 later in the letter it's a problem they have, that's
24 sent to the docket file where Water and Wastewater staff
25 can review, because it concerns a docketed matter.

1 Q If you know, the 4,754 letters that have been
2 received by the Commission, does the Commission answer
3 those letters?

4 A No. We have a new system in place, because I
5 do know that is a major problem. On the sheets that the
6 customers get at the service hearings and the like, that
7 are the yellow/blue sheets that give an overview of the
8 case and sometimes list the different rates, it says at
9 the beginning of that sheet that their comments will be
10 placed in the correspondence section of the docket
11 file. We realize that some customers think -- and
12 deserve, a reply. We have now come up with a system
13 where I'm still going to be doing the same numbering
14 system. We don't have personnel to punch every single
15 one in the computer, but we are having labels made so
16 that the customers receive a postcard that says that
17 we've received their correspondence on a docketed
18 matter, and if they have a specific billing or service
19 problem, to contact us at our toll free number, and it
20 gives the number.

21 Q The initial segregation that segregates the
22 communications from customers as either being a
23 complaint you handle or something that goes to the
24 correspondence side of the file, if you determine
25 correspondence side of the file, you said it goes to

1 Water and Wastewater from there?

2 A Water and Wastewater reviews it. Sometimes
3 they come to my office to, you know, review them before
4 I take it to Records and Reporting. And other times
5 they would go to Records and Reporting to review what's
6 in the boxes.

7 Q Other than what you've described so far, is
8 there any other use or analysis made of the letters from
9 customers, if you know?

10 A Not that I know of.

11 MR. BECK: Thank you. That's all I have.

12 WITNESS PRUITT: Thank you.

13 CHAIRMAN CLARK: Mr. Jacobs?

14 CROSS EXAMINATION

15 BY MR. JACOBS:

16 Q Ms. Pruitt, just so I'm clear on this, so the
17 Commission does not have the benefit, as far as you
18 know, of those 4,000 letters written about this
19 particular rate case, of the knowledge within those
20 letters?

21 A Staff from Water and Wastewater have the
22 knowledge of what is in those letters.

23 Q And they've reviewed each one of them?

24 A Yes, sir.

25 Q Okay, that's good. But as far as that being

1 passed on to the Commission, it goes from the Staff then
2 down to Recording?

3 A It goes from my office to Records -- it goes
4 from the Division of Consumer Affairs to Records and
5 Reporting. Sometimes --

6 Q But if the Staff has not prepared an analysis
7 of those letters for the Commission, they do not have an
8 opportunity to see them; is that correct?

9 A I don't know what Water and Wastewater has
10 done with their information. They have reviewed every
11 letter so that they can see if there is any kind of
12 service problem or anything like that that they need to
13 make note of.

14 Q All right. Thank you. No further questions.

15 CHAIRMAN CLARK: Mr. Twomey?

16 MR. TWOMEY: Yes, just briefly.

17 CROSS EXAMINATION

18 BY MR. TWOMEY:

19 Q Ms. Pruitt, did you say at any point how many
20 complaints or letters regarding SSU have come in during
21 the first four plus months of '96?

22 A I didn't say, but I have it written down.

23 Q Great. Please.

24 A In January, that we sent to Records and
25 Reporting, 831; in February, 308; in March, 427; and in

1 April, 647.

2 Q And if you know, what were the -- what were
3 the subjects of the -- what was the primary subject of
4 the letters, if you know, topic?

5 A I didn't sit there and read each one. We did
6 try to look for a docket number, the words SSU, and
7 there was one other word that we -- that popped up,
8 usually in that first paragraph or sentence, if they
9 said something about their water, I don't want my water
10 rates to go up, and that would have been the word of
11 uniform rates.

12 Q So that's -- 1100 -- another 22, 2300 letters,
13 right? How about telephone calls, who tracks telephone
14 calls?

15 A We track those, that as the calls come into
16 our 800 number --

17 Q Yes, ma'am.

18 A After an analyst receives a call, we have
19 different docket numbers that we have given our own
20 computer codes to, and we do track those every month.
21 As soon as the call is over, they just punch a couple of
22 buttons on their computer and that's tracked
23 automatically in our system for capture.

24 Q And in following up Mr. Jacobs' line about who
25 gets that, who --

1 A That comes out in our monthly report. We put
2 down how many phone calls we've received every month.
3 Also the letters were also in our monthly report every
4 month.

5 Q By utility?

6 A By case dockets.

7 Q Okay. And how many did you have -- if you
8 have the numbers, how many telephone calls did you
9 receive --

10 A Do you want since June of '95 or Jan --

11 Q January -- just by total if you have total.

12 A Total, since June of '95, 2,369.

13 MR. TWOMEY: Thank you. That's all I have.

14 CHAIRMAN CLARK: Mr. Willingham.

15 CROSS EXAMINATION

16 BY MR. WILLINGHAM:

17 Q Ms. Pruitt, my name is Bill Willingham. I'm
18 here on behalf of Southern States. Just have a few
19 questions regarding your exhibits. If we could first
20 look at the Exhibit NEP-1, which is titled Southern
21 States Utilities, Inc., Complaint, Six-Year Comparison.
22 This cites, I believe it's the number of complaints per
23 year from 1990 through 1995 --

24 A That's right.

25 Q -- that were filed against Southern States?

1 A Pardon me?

2 Q That were filed against Southern States.

3 A Yes, that's correct.

4 Q Does this include all complaints, whether they
5 were justified or not?

6 A Yes, it's all complaints.

7 Q And does this have any relationship to the
8 number of justified complaints per customer that were
9 filed against SSU?

10 A Not this chart.

11 Q So it's not related to customers; is that
12 your -- is that correct? This chart is not on a
13 per-customer basis; is that right?

14 A No, it's not.

15 Q And if we could go to Exhibit NEP-2, and there
16 are two graphs here. The first one is for 1994. The
17 second one is for 1995, which I believe -- is it correct
18 that this places all of the complaints filed against SSU
19 in the various categories?

20 A Yes.

21 Q And again, this applies to all complaints,
22 whether they're justified or not?

23 A That's correct.

24 Q That's for both of these graphs?

25 A Yes.

1 Q And again, these are not on a per-customer
2 basis; is that correct?

3 A No.

4 Q And we just heard some testimony regarding the
5 number of complaints that have been filed in 1996, and I
6 think you said 4,754?

7 A The number of complaints?

8 Q I'm sorry, what did that number relate to?

9 A That's the total number of letters we've
10 received since June of '95 that we've placed in the
11 correspondence file.

12 Q Okay. Thank you. I believe your testimony
13 compares the number of complaints that were filed
14 against SSU to the number of complaints that were filed
15 against other regulated water and wastewater utilities?

16 A No, it doesn't.

17 Q It does not? Okay. I have no more
18 questions.

19 CHAIRMAN CLARK: Commissioners? Redirect?

20 MS. O'SULLIVAN: Just a couple of brief
21 questions to clarify.

22 REDIRECT EXAMINATION

23 BY MS. O'SULLIVAN:

24 Q Ms. Pruitt, you stated in mid -- I guess June
25 or July last year, the Consumer Affairs changed the way

1 it logged or recorded correspondence; is that correct?

2 A In July we realized that we needed to change
3 the way. And so beginning August the 1st, we did.

4 Q That was because of the volume of letters that
5 you had received?

6 A All right. In the first six months of '96 --
7 excuse me, first six months of '95, we received between
8 100 and 200 overall letters a month to the division on a
9 variety of subjects. The preceding year, when I went
10 back and looked at the record going back to August, we
11 were getting between 73 to 103 a month. That jumped in
12 July to 600, which jumped the following month to over
13 1900. We had to make a change.

14 Q All right. And is it correct that the
15 Commission, either Consumer Affairs or Water/Wastewater
16 Staff, still answer or address service complaints that
17 require attention?

18 A All the service complaints -- it is my
19 understanding that all service complaints that are in
20 the correspondence letters are noted and addressed by
21 Water and Wastewater.

22 MS. O'SULLIVAN: Thank you. I have nothing
23 further.

24 CHAIRMAN CLARK: Exhibits?

25 MS. O'SULLIVAN: Staff moves Exhibit No. 195.

1 CHAIRMAN CLARK: It will be admitted in the
2 record without objection. Thank you very much,
3 Ms. Pruitt. You are excused.

4 (Exhibit No. 195 received into evidence.)

5 (Witness Pruitt excused.)

6 * * *

7 MS. O'SULLIVAN: Thank you. Mr. Shafer.

8 MS. CAPELESS: Mr. Shafer, have you been
9 sworn?

10 MR. SHAFER: No, I have not.

11 CHAIRMAN CLARK: Would you please stand and
12 raise your right hand?

13 GREGORY L. SHAFER

14 was called as a witness on behalf of FPSC Staff, and
15 having been duly sworn, testified as follows:

16 CHAIRMAN CLARK: Thank you. You may be seated.

17 DIRECT EXAMINATION

18 BY MS. CAPELESS:

19 Q Would you please state your name and business
20 address for the record?

21 A My name is Gregory L. Shafer. My business
22 address is 2540 Shumard Oak Boulevard, Tallahassee,
23 Florida 32399.

24 Q Are you the same Gregory L. Shafer who
25 prefilled direct testimony in this docket consisting of

1 35 pages?

2 A Yes, I am.

3 Q Do you have any changes or corrections to make
4 to your testimony?

5 A I have one correction.

6 Q Please give that.

7 A On Page 10, Line 25, it says, "in 39 counties
8 out of 67." That should be "38 counties out of 67."

9 Q Thank you. If I were to ask you the same
10 questions as posed in your testimony, with the revision
11 that you just identified, would your answers be the same
12 today?

13 A Yes, they would.

14 MS. CAPELESS: Madam Chairman, may we please
15 have Mr. Shafer's testimony inserted into the record as
16 though read.

17 CHAIRMAN CLARK: The prefiled direct testimony
18 of Gregory L. Shafer will be inserted in the record as
19 though read.

20 MS. CAPELESS: Thank you.

21 Q (By Ms. Capeless) Mr. Shafer, did you also
22 prefile Exhibit No. GLS-1 along with your testimony?

23 A Yes, I did.

24 Q Do you have any changes or corrections to make
25 to that exhibit?

1 A No.

2 MS. CAPELESS: May we please have that
3 identified with the next available exhibit number?

4 CHAIRMAN CLARK: GLS-1 will be identified as
5 Exhibit 196.

6 (Exhibit No. 196 marked for identification.)

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DIRECT TESTIMONY OF GREGORY L. SHAFER

1 |
2 | Q. Would you please state your name and address?

3 | A. Gregory L. Shafer, 2540 Shumard Oak Boulevard, Tallahassee, Florida
4 | 32399.

5 | Q. By whom are you employed and in what capacity?

6 | A. I am employed by the Florida Public Service Commission, Division of
7 | Water and Wastewater, as Chief of the Bureau of Special Assistance.

8 | Q. What are your current responsibilities as Bureau Chief in the Special
9 | Assistance Bureau?

10 | A. I presently manage two section supervisors. Combined, the sections
11 | consist of eight Regulatory Analysts and three engineers--all of whom are
12 | under my supervision. The Bureau processes staff assisted rate cases for
13 | Class C water and wastewater utilities, limited proceedings for Class A, B and
14 | C utilities, index and pass-through applications for Class A, B and C
15 | utilities, miscellaneous complaints and inquiries, and tariff related matters.

16 | Q. Please summarize your educational and professional background.

17 | A. I have a Bachelors of Arts degree in Economics from the University of
18 | South Florida and a Masters degree in Economics from Florida State University.
19 | My emphasis in the Masters program was in Labor Economics and Econometrics.

20 | My professional experience includes two years as a Field Economist with
21 | the U.S. Department of Labor, Bureau of Labor Statistics. I have been
22 | employed by the Florida Public Service Commission since September 1983. I
23 | spent five plus years in the Division of Communications in various capacities,
24 | the final two years as a Supervisor of the Economics Section. My
25 | responsibilities primarily focused on policy development in the areas of

1 | Access Charges, Long Distance Service, Cellular telephone, and Shared Tenant
2 | Services. I have been working in the Division of Water and Wastewater in my
3 | current capacity for over six years.

4 | Q. Have you ever previously testified before the Commission?

5 | A. Yes. While working in the Division of Communications, I testified in
6 | the Interexchange Carrier Rules docket and in the A.T. & T. Waiver Request
7 | docket. While in the Division of Water and Wastewater I presented testimony
8 | in Dockets Nos. 891114-WS, Sailfish Point Utilities; 900329-WS, Southern
9 | States Utilities, Inc.; 910477-SU, Florida Cities Water Company; and 920199-
10 | WS, Southern States Utilities, Inc., on the calculation of margin reserve.
11 | I also presented testimony relating to non-rate base regulation of Class C
12 | water and wastewater utilities in Docket No. 911082-WS.

13 | Q. What is the purpose of your testimony in this docket?

14 | A. The purpose of my testimony is to discuss what I believe to be
15 | reasonable goals and objectives of the Commission for the water and wastewater
16 | industry; limiting factors that influence the degree to which the Commission
17 | can attain those goals and objectives; how those goals and objectives shape
18 | rate design policy and how that rate design policy relates to rate structure
19 | options for this case. Finally, my testimony provides a summary analysis of
20 | several staff proposed rate designs in this case.

21 | Q. Would you generally discuss what you believe the goals and objectives
22 | of the Commission should be relating to regulation of water and wastewater
23 | utilities?

24 | A. There are many specific goals and objectives that the Commission may
25 | strive to achieve and they may vary according to circumstances. However, I

1 | believe they can be broadly described under four categories. The four are:
2 | safe efficient service at an affordable price, resource protection, a
3 | financially healthy and independent utility, and regulatory efficiency.

4 | Q. Can you describe specific objectives that may be considered as part of
5 | safe efficient service at an affordable price?

6 | A. This category is by far the broadest. Beginning with safe service, it
7 | is the obligation of the Commission to provide the utility with the
8 | opportunity to generate the funds necessary to meet environmental, health, and
9 | safety standards. These standards are generally established outside the
10 | Commission but the Commission has always recognized the necessity of providing
11 | adequate financial coverage of such standards. Typically these are
12 | accounting, engineering and financial matters that do not relate directly to
13 | rate design issues.

14 | A significant element of this category is the quality of service
15 | provided by the utility. This would relate directly to reliability, safety
16 | and customer relations. These are major factors contributing to the
17 | customers' perceptions about the utility and whether it is doing its job
18 | effectively. These concerns can only be addressed in an indirect manner
19 | through rate structure decisions.

20 | Efficiency is an important goal and one that is difficult to quantify.
21 | Certainly the Commission desires that every utility be as efficient as it can.
22 | The Commission attempts to make decisions through accounting and financial
23 | issues as well as engineering issues that will give the utility incentives to
24 | be more efficient.

25 | The far more difficult and subjective goal is that of affordable rates.

1 The Commission is constrained by its statutory obligation to provide the
2 utility an opportunity to earn a fair return on its investment. The
3 Commission has come to view affordability in this context as those rates that
4 meet its statutory obligation to the utility. This is primarily because it
5 cannot arbitrarily reduce rates to suit an affordability test that is defined
6 in terms of rate levels. The Commission has implicitly accepted that after
7 the thorough review of accounting, engineering, customer service and financial
8 issues the resulting rates are by default affordable. However, a company such
9 as Southern States Utilities, Inc. (Southern States), provides the Commission
10 with greater latitude in dealing with the issue of affordability.

11 Q. Can you elaborate on what characteristics about Southern States give the
12 Commission greater latitude in rate setting?

13 A. Southern States has several characteristics that differentiate it from
14 any other water and wastewater utility under Commission jurisdiction. First
15 of all, it has more customers than any other water and wastewater utility
16 under Commission jurisdiction.

17 Southern States is geographically dispersed serving customers in 25
18 counties throughout the state. No other utility under Commission jurisdiction
19 is as spatially dispersed as Southern States.

20 Finally, Southern States is comprised of over 150 separate water and
21 wastewater service areas. These separate service areas range in size if
22 considered as stand alone utilities from Class A to Class C. By category of
23 the service areas contained in the filing for this case, the Class A plants
24 would comprise approximately 20% of the total, Class B 14%, and Class C 66%.

25 Q. How do these characteristics translate to latitude in rate setting

1 | philosophy?

2 | A. As discussed above, the Commission is often left with no recourse in
3 | rate setting for single system utilities but to implement rates that are very
4 | high. However, with a utility such as Southern States with many customers and
5 | many service areas throughout the state the Commission has more options
6 | available to it. It can choose to design a rate structure that can mitigate
7 | rates that are at the extremes of the rate range. It may for example, choose
8 | to implement conservation rates for extremely low cost plants and use any
9 | plant specific excess revenues to offset extremely high rates in other service
10 | areas. It may choose to somehow limit the bills of customers throughout the
11 | utility and shift the burden of some high cost plants to others. Since all
12 | the customers of Southern States are under the same operational oversight the
13 | Commission may implement certain ratemaking philosophies that are not
14 | available to a stand alone utility.

15 | Q. Would you briefly describe what is meant by the goal of resource
16 | protection?

17 | A. Water and wastewater service is uniquely different from electric and
18 | telephone service in that water is a finite resource that cannot be
19 | manufactured. As environmental and supply experts now recognize, this
20 | resource must be protected and conserved in order to insure adequate supplies
21 | to meet future demands. The Commission has a role to play through pricing and
22 | education in the protection and preservation of that resource.

23 | Admittedly, the Department of Environmental Protection (DEP) and the
24 | Water Management Districts (WMDs) have more visible roles in this area.
25 | However, the Commission also has a major role to play in assisting these other

1 agencies to facilitate compliance. The Commission can do so through its
2 treatment of expenses as they may relate to conservation programs, investments
3 related to reuse and effluent disposal, through its assessment of feasibility
4 of options, and finally through pricing. In addition to reacting to
5 individual utility circumstances, the Commission can and does work regularly
6 with these other bodies to shape policies and programs that are workable.
7 This also corresponds to the goal of regulatory efficiency.

8 Q. Would you explain why you believe a financially healthy and independent
9 utility should be a goal of the Commission?

10 A. I believe a financially healthy and independent utility is a goal of the
11 Commission in order to insure that customers continue to have safe, efficient
12 and reliable service. From time to time the Commission must deal with
13 troubled utilities that, for whatever reason, cannot seem to provide safe
14 efficient and reliable service and cannot afford to make the necessary
15 improvements to do so. Frequently these situations result in abandoned
16 utilities. Usually these facilities require major capital improvements which
17 will result in extremely high rates. If the customer base is not able to
18 afford such rates they may refuse to pay or cut way back on consumption. If
19 this happens the utility will not be afforded the opportunity to earn its
20 return and may wind up in an abandonment situation. Thus, the Commission
21 should be concerned about the viability and financial health of utilities
22 under its jurisdiction.

23 Furthermore, financial health relates directly to whether the utility
24 can obtain the resources necessary for expansion, replacement or upgrading of
25 plant and infrastructure. The healthier the utility the more attractive a

1 | customer it is for lending institutions and the more favorable terms it can
2 | secure from such institutions. This serves to benefit all customers through
3 | the cost of capital impact on rates and the ability to attract financing to
4 | make needed improvements.

5 | Q. Are problems of viability usually associated with larger utilities such
6 | as Southern States?

7 | A. No, typically these are problems most frequently associated with smaller
8 | utilities. However, given the number of small service areas in the Southern
9 | States mix, they may well experience problems with high per capita cost plants
10 | under a stand alone rate structure. In addition, larger utilities may play
11 | a role in addressing the problem of non-viable smaller facilities.
12 | Regionalization and consolidation of utilities can be one way to address
13 | problems created by smaller utilities. This may include purchase by larger
14 | investor owned or public utilities and may even include purchase or take over
15 | by homeowner groups. The Commission's actions relating to both larger and
16 | smaller utilities can have the effect of making one outcome more likely than
17 | another.

18 | Q. Should acquisition of smaller utilities by larger utilities be a goal
19 | of the Commission?

20 | A. No. I do not think it should be a generic goal of the Commission.
21 | However, a major problem in this industry is the inability of small water and
22 | wastewater plants to survive and to provide safe, efficient service at
23 | reasonable rates on a stand alone basis. I believe regionalization and
24 | consolidation are possible ways to address compliance and affordability for
25 | small utilities.

1 | Regardless of whether the Commission has a policy of encouraging or
2 | discouraging acquisitions, I believe it must be cognizant of the effects its
3 | decisions have on that aspect of the industry. The point of my testimony on
4 | this matter is not to recommend an acquisition policy but to inform the
5 | Commission that rate design has an impact on the decision of one utility to
6 | acquire another utility.

7 | In the near future it is likely that the Commission will perform
8 | analyses on troubled utilities in an attempt to assess whether or not they are
9 | viable for the long run. As a logical extension of that assessment the
10 | Commission will be forced to develop strategies for dealing with utilities
11 | considered to be non-viable. These strategies may include incentives for
12 | acquisition by larger utilities.

13 | Q. Describe what you mean by an independent utility and why it is an
14 | important goal?

15 | A. By independence I mean that the utility is in the exclusive business of
16 | providing utility service to the customer as opposed to development related
17 | activities. Often a primary goal of developer related utilities is to
18 | minimize or avoid utility related costs to the extent that the utility formed
19 | is inadequate to perform the long-term task of providing safe, reliable, and
20 | affordable water to its customers. By virtue of its independence a utility
21 | can make investment decisions based on real needs rather than the need to
22 | influence potential home buyers or developers. The utility can request and
23 | implement compensatory rates without the need to provide incentives to home
24 | buyers. But most importantly, the utility will make all types of decisions
25 | based on its ability to gain a return in the long run as the provider of

1 | service. These factors benefit customers by ensuring that the utility will
2 | serve no other purpose but to provide utility service in exchange for a
3 | reasonable return over the long run.

4 | Q. Define regulatory efficiency and discuss why you believe the Commission
5 | should be concerned about it.

6 | A. Regulatory efficiency covers a number of issues the Commission is
7 | concerned about. First, it suggests that the agency itself strives to operate
8 | in an efficient manner to process cases without undue delay and without
9 | imposing burdensome and costly requests on the utilities. The Commission is
10 | concerned not only about the cost of regulation but also attempts to minimize
11 | regulatory lag. This lag imposes a cost on the utility by deferring needed
12 | increases. A certain amount of regulatory lag is unavoidable but nonetheless
13 | the Commission strives to minimize its impacts.

14 | Regulatory efficiency also implies a level of interaction and
15 | cooperation with other state agencies and local governments that also have
16 | oversight functions related to utilities. Hopefully such cooperation serves
17 | to reduce confusion on the part of utilities and allows utilities flexibility
18 | in the way that they achieve compliance with each agency. For example,
19 | through agency interaction the Commission may be able to influence
20 | environmental compliance schedules to dovetail with rate relief schedules and
21 | thereby ease the financial burden on utilities.

22 | Finally, I believe the Commission encourages the utility to be prudent
23 | in the manner in which it approaches regulation. One major way the Commission
24 | does this is through the review of rate case expense. To the extent the
25 | Commission can, it must consider the impact of its decisions on the expense

1 | the utility will incur in future cases and whether or not incentives for
2 | efficiency are changed. One way the Commission does this is through
3 | consistent and predictable policies in the treatment of various utility
4 | decisions.

5 | Customers benefit indirectly from the utility's ability to achieve
6 | compliance quickly and from any reduction in rate case expense that may be
7 | realized.

8 | Q. You indicated earlier that the Commission faces limitations on its
9 | ability to achieve some goals and objectives. Can you briefly discuss what
10 | you believe to be limiting factors?

11 | A. I believe that Commission decisions relating to rate levels and rate
12 | design issues are constrained in some ways by the regulatory environment in
13 | which it operates such that certain objectives are not attainable or only in
14 | a limited fashion. These limits take different forms. The first is that the
15 | Commission is not the agency of primacy for environmental matters, health and
16 | safety matters, conservation matters and reuse matters. The Commission shares
17 | with and sometimes defers jurisdiction to the DEP, the Department of Health
18 | and Rehabilitative Services (HRS), the WMDs and in some cases county
19 | governments on these issues. As a practical matter this means the Commission
20 | is somewhat constrained in its ability to deal with these issues.

21 | Second, the Commission's jurisdiction relates only to investor owned
22 | water and wastewater utilities and only in those counties that have allowed
23 | the Commission to regulate. The number of counties under Commission
24 | jurisdiction varies over time. Currently, the Commission regulates facilities
25 | in 39 counties out of 67. As such, the Commission is only a small piece of

1 | the overall economic regulation equation when you consider city and county
2 | facilities and small unregulated facilities. It should be noted, however,
3 | that with the possible exception of Dade and Hillsborough counties, the
4 | Commission may be the one regulatory body with oversight over the most
5 | customers.

6 | Finally, there are certain general characteristics about Florida and
7 | more specifically about the water and wastewater industry in the state that
8 | the Commission must consider in the decision making process. The state's
9 | population continues to grow rapidly, thus placing a greater and greater
10 | demand on water resources and the environment. This will put the Commission
11 | in the position of responding to the need for conservation and possible reuse
12 | demands.

13 | By virtue of its unique geographic characteristics Florida has inherent
14 | water quality and effluent disposal problems that make it more expensive for
15 | utilities to achieve quality standards than in some other areas. Furthermore,
16 | it is reasonable to assume that the water quality and environmental standards
17 | will remain at least as stringent if not more so than they currently are.
18 | Given these factors it is safe to assume that water production will be a
19 | rising cost industry.

20 | Q. Do these factors serve to limit the Commission's effectiveness in
21 | attaining its goals and objectives?

22 | A. Yes, they can. The Commission is concerned with rates and rate levels
23 | while other agencies involved with environmental compliance for example are
24 | less concerned about rate levels. The Commission rarely intercedes on behalf
25 | of customers or utilities when matters of environmental protection are

1 | involved. When these matters result in significant financial investments on
2 | the part of the utility, the Commission has little or no recourse but to pass
3 | those costs on to consumers. Thus, the goal of reasonable rates can be
4 | jeopardized.

5 | Another example might be a requirement for conservation rates. The
6 | Commission generally has been in favor of conservation measures even in the
7 | absence of outside mandates. However, conservation rates typically mean
8 | higher rates. If conservation rates are successful they may have the
9 | unintended effect of reducing revenues to the utility hence putting more
10 | upward pressure on rates. Again conflict is created between attaining one
11 | goal, conservation, at the expense of reasonable rates and a financially
12 | healthy utility.

13 | Q. How does rate structure for a company such as Southern States impact the
14 | ability of the Commission to achieve its goals?

15 | A. Rate structure can have a significant impact in a variety of ways for
16 | a utility such as Southern States. It is instructive to consider each of the
17 | goals and objectives individually as they relate to rate structure.

18 | Rate structure relates to the utility's ability to provide safe
19 | efficient service in a variety of ways. In order for the utility to provide
20 | safe service it must have the resources to do so. Rate structure can
21 | influence the utility's revenue stream by making it more or less subject to
22 | variation. The more dependable the revenue stream the greater ability the
23 | utility has to project future income and thus plan needed investments in a
24 | cost effective manner. For example, the greater the portion of revenue
25 | requirement allocated to base facility charges (BFC) the more stable the

1 | revenue stream. I am not advocating this necessarily be done but merely make
2 | the point for purposes of example.

3 | In terms of efficiency, the more complex the rate structure the greater
4 | the cost to the utility to administer. It is difficult, if not impossible,
5 | to calculate such efficiencies. However, common sense tells you that matters
6 | such as billing inquiries and disputes would be less numerous if rate
7 | structure is more easily understood. Efficiencies can also be affected by
8 | rate design in terms of investment incentives faced by the utility. What may
9 | be an immaterial investment when spread over all customers of Southern States
10 | may have significant impact if costs can only be spread and recovered over a
11 | particular service area. The utility's decision to invest may be more
12 | carefully considered in the latter case. Consequently, the ability to spread
13 | costs more widely may lead to more investment than would otherwise occur.
14 | When choosing a particular rate structure the Commission must be cognizant of
15 | its impacts and may attempt to incorporate safeguards to address any negative
16 | impacts it may anticipate.

17 | In addition, rate shock or the substantial increase in rates relative
18 | to their previous level, is also a factor in assessing the affordability of
19 | rates as viewed by the customers. A rate increase that is three times its
20 | previous level may be considered excessive by the customers even though the
21 | final rate level may not be that great relative to other utilities or service
22 | areas.

23 | As noted above, affordability of rates from the Commission's perspective
24 | is often times a byproduct of the reasonableness of the revenue requirement
25 | for an individual utility. The Commission strives to make the revenue

1 requirement reasonable recognizing limitations in its ability to act directly
2 on rates. However, in the case of Southern States which has multiple plants
3 under a single operational umbrella the Commission and the utility have more
4 options available to address affordability or reasonableness.

5 One of the options available for a utility such as Southern States is
6 some form of rate averaging, such as a uniform rate. The benefits and
7 drawbacks to a uniform rate structure have been considered previously by the
8 Commission and it is not my purpose to cover that ground again. I only wish
9 to point out that there are many possibilities available regarding rate
10 structure because of the unique nature of Southern States' organization.
11 Several rate design options that may be applicable to Southern States will be
12 discussed below.

13 Q. How does rate structure impact resource protection?

14 A. Pricing is a fundamental element in resource allocation and, in this
15 case, resource protection. Through pricing signals the utility can influence
16 water consumption. For example, a flat rate is not sensitive at all to
17 consumption and may create excessive demand. Once a customer has paid his or
18 her monthly charge they may use as much as they wish and may not care, for
19 example, whether a dripping faucet is quickly repaired or not. If the charges
20 contain a usage component and the customer's bill is sensitive to consumption,
21 the customer may alter his or her behavior in order to influence the monthly
22 bill.

23 Consumption based charges with a fixed and variable component are one
24 way to influence water consumption through pricing. The Commission, as a
25 general practice, has supported and encouraged this rate structure. Another

1 method is known as inverted block pricing. Inverted block pricing would
2 increase the price of the consumption component as greater levels of
3 consumption are achieved. For example a price of \$1.50/thousand gallons may
4 apply to the first ten thousand gallons consumed and a price of \$3.00/thousand
5 gallons for any consumption beyond ten thousand gallons. The rationale would
6 be to provide a price disincentive to the customer for consuming in excess of
7 ten thousand gallons of water in a month. The success or failure of such a
8 rate structure will vary based on a variety of factors not the least of which
9 is the income of the customer.

10 Q. Can rate structure impact resource protection in any other way?

11 A. Yes, rate structure also influences resource protection through rates
12 charged for reclaimed water. Reuse rates serve to defray the cost involved
13 in treatment and delivery of reclaimed water. However, if potential reuse
14 customers have alternative sources, such as on site wells, pricing of reuse
15 service may have to be at zero.

16 Any of the above options will impact consumption to varying degrees
17 depending on specific conditions. The Commission's choice of rate design will
18 attempt to give the appropriate weight to resource protection in the overall
19 scheme of rate setting.

20 Q. Briefly describe how rate design and pricing influences the financial
21 health and independence of the utility.

22 A. The impact of rate design and pricing on the financial health and
23 independence of the utility is evidenced by the testimony of the utility as
24 it relates to its proposal for a weather normalization factor to be included
25 in the rate design. In most basic terms, the weather normalization proposal

1 | is an attempt to levelize the revenue stream of the utility. Rate structure
2 | can and does play a significant role in the predictability of the utility's
3 | revenue stream. The extreme example of predictable revenues would be to make
4 | all rates flat rates with no consumption components at all. Under such a rate
5 | structure the utility would have no variation in revenues except due to
6 | customer churn and uncollectibles.

7 | At the other extreme the most unpredictable revenue flow would be if the
8 | rate structure has no fixed component and all revenues were based exclusively
9 | on consumption.

10 | The ability of the utility to predict its revenue stream and make
11 | investment decisions on that revenue stream is directly impacted by rate
12 | design. The degree of predictability does have an impact on the utility's
13 | ability to secure financing should the need arise.

14 | The independence of the utility from development interests is more
15 | likely to influence pricing and rate design issues than vice versa. A utility
16 | independent of development interests will be more inclined to make cost based
17 | decisions regarding utility matters and less likely to provide development
18 | incentives through rate design. In addition, an independent utility is less
19 | likely to lose interest in the utility once a development is complete. It
20 | should be noted however, that an independent utility such as Southern States
21 | is not insensitive to growth and the potential impact of pricing on growth.

22 | Q. How would you relate rate structure and rate design to the goal of
23 | regulatory efficiency?

24 | A. Regulatory efficiency can be influenced through the degree of complexity
25 | and acceptance of particular rate structures. Rate structure may influence

1 | the cost of preparation for rate cases which would then impact rate case
2 | expense. In addition, a more complicated rate structure could lengthen the
3 | rate case process by expanding the scope of rate structure issues to be
4 | considered. In general, I would expect the impact to be relatively slight in
5 | most cases.

6 | Q. What do you believe are the interests of Southern States as they relate
7 | to rate design?

8 | A. I would expect the utility to be concerned with achieving its revenue
9 | requirement, levelizing its revenue stream, addressing resource management and
10 | protection, administrative ease, affordability and acceptability, and the
11 | impact of rate design on future growth and acquisitions. To a lesser extent
12 | Southern States should also be concerned about the perception of fairness and
13 | rate continuity.

14 | Q. Can you discuss why the utility is concerned about resource protection?

15 | A. Yes. There are a number of reasons the utility might be concerned about
16 | resource protection but there are at least two primary reasons. The first
17 | would be a regulatory interest determined by the WMDs and their requirements
18 | relating to Consumptive Use Permits. Consumptive Use Permits place limits on
19 | utilities of certain sizes as to the amount of water they may withdraw from
20 | ground water sources. In so doing they investigate the utility's historical
21 | consumption records to determine if conservation rates are appropriate. In
22 | my experience working with Class C utilities, the WMDs have on occasion issued
23 | requests to specific utilities to implement some type of conservation rate
24 | structure. A given utility, therefore, is concerned about controlling
25 | consumption through rate design and in some cases reducing consumption through

1 | rate design.

2 | The utility should have another level of concern regarding conservation
3 | that is on a more economic level and that is for plants that are on the verge
4 | of requiring additional capacity to serve the demand of existing customers.
5 | By reducing or at least stabilizing demand for water, the utility may be able
6 | to forestall the need for additional investment. This may be a relatively
7 | rare occurrence but, nonetheless, the potential exists for such a scenario.

8 | Finally, given the economic, physical and geographical nature of the
9 | Florida environment it is in the long term best interests of the utility to
10 | promote conservation and maintain existing cost relationships such that it can
11 | meet future demands at a reasonable cost.

12 | Q. Do you believe that Southern States is concerned about affordability and
13 | acceptability?

14 | A. Yes, any business should be concerned about the affordability of its
15 | product and Southern States is no exception. In a competitive market that
16 | concern arises from the potential that some other producer will garner its
17 | customers and reduce its income stream. Since that motivating factor is
18 | largely absent from the water and wastewater industry, the concern relates
19 | more to the impact on the cost structure of the utility. Controversy over
20 | rate levels and rate structure generates costs to the utility be they through
21 | billing complaints and inquiries at the company or indirectly through
22 | additional regulatory involvement due to complaints to the Commission.

23 | In addition, affordability and customer acceptance relates directly to
24 | the public image of the utility and the customers' perception of the utility
25 | as a good corporate neighbor.

1 Q. Previously you mentioned fairness and rate continuity as issues the
2 utility should be concerned with. Can you define what you mean by these
3 terms?

4 A. Yes. Fairness relates, in my mind, to the degree to which the cost
5 causer pays a fair share of the costs he or she is responsible for and the
6 degree to which the rates are in line with those of customers in similar
7 situations. These two characteristics are at times difficult to attain with
8 the same rate design. I believe the unique nature of Southern States allows
9 for some latitude in these areas.

10 As an aside, there are circumstances that arise that cause cost
11 relationships to change that are not directly attributable to the demands
12 placed on a particular plant by its customers. For example, environmental
13 requirements such as testing costs may be attributable to a particular service
14 area but not necessarily related to any action taken by the customer. Thus,
15 to be bound to limiting recovery of those costs from that particular service
16 area merely to adhere to a cost causer pays philosophy of rate design may be
17 doing a disservice to the customers in that particular service area.

18 Rate continuity relates to the nature and frequency of rate changes.
19 For example, should the Commission determine that a \$3/kgal conservation
20 surcharge is appropriate for water consumption in excess of 10,000
21 gallons/month, it might be appropriate to phase in that surcharge over a
22 period of time to give customers the opportunity to adjust their consumption.

23 Continuity may also relate to scenarios where customers receive a short
24 run rate reduction only to be faced with an increase shortly thereafter.

25 Q. Are these issues of concern for the utility?

1 A. The utility should be concerned about these factors as they relate to
2 customer acceptance and affordability. However, they are probably of much
3 less consequence to the utility than to the customers.

4 Q. Do you believe that subsidies and fairness in pricing are mutually
5 exclusive?

6 A. Not at all. I believe that the real issue in regard to subsidies
7 contained in rates is the degree to which subsidies occur. In truth, the
8 existing rates of any water and wastewater utility under Commission
9 jurisdiction have subsidies inherent in them. To the extent that any time the
10 cost to serve an individual customer is different, but the price to each
11 customer is the same, a subsidy exists. In fact, even in competitive markets,
12 cost averaging must take place in order to simplify pricing decisions. For
13 example, it is likely to be more expensive for some retailers to be open after
14 dark than during the day due to energy and security costs. However, I am not
15 aware of many retailers that charge higher prices at night than during the
16 day. The complexity and costs of administration of such pricing schemes would
17 render them ineffective. Therefore, manufacturers, wholesalers and retailers
18 tend to cost average when setting prices for goods and services. In so doing,
19 they create pricing structures that have subsidies in them. In my example
20 daytime customers would subsidize nighttime customers. Another common example
21 is bulk pricing such that large volume customers who pay less are subsidized
22 by smaller ones who must pay more.

23 Q. Are you aware of subsidies that have existed in the pricing of other
24 regulated services?

25 A. Prior to technological advances that permitted many providers to enter

1 | the telecommunications industry, there was a great deal of subsidization in
2 | pricing. Basic local telephone service, for example, was residually priced.
3 | That is, all other services such as call waiting, private line service,
4 | touchtone service, unlisted numbers, etc., that were discretionary or add-on
5 | services were priced on a cost plus basis. The plus was simply based on what
6 | the Commission or the local phone company thought was reasonable. Once all
7 | other services were priced, the remainder or residual was allocated to local
8 | service charges. Thus, all other services partially subsidized local service.

9 | In addition, further subsidization occurred among classes of service.
10 | Commercial and multiline business customers paid higher rates than single line
11 | residential customers. The rationale that was used is referred to as value
12 | of service pricing. Conventional wisdom held that commercial and large
13 | business customers derived more value from telephone service than residential
14 | customers.

15 | It should be noted that both state and federal regulators viewed
16 | telephone service as a basic necessity and structured regulation of the
17 | industry around the concept of Universal Service. That concept means that
18 | prices were set to encourage as many people as possible to subscribe to
19 | telephone service. That notion continues today even as competitors are
20 | entering the market for local telephone service.

21 | Q. Are there pricing practices employed in the telephone industry that are
22 | analogous to the situation presented by a utility such as Southern States?

23 | A. I believe as it relates to cost of service, there is one interesting
24 | factor about local telephone pricing that should be noted. Prior to 1980 most
25 | local central offices (where switching takes place) were electronic or

1 | electromechanical. Transmission technology was also electronic requiring hard
2 | wire connections from point A to point B. As the digital technology
3 | progressed into the 1980's most local telephone companies began to install
4 | digital central offices for switching and transmission. The integration of
5 | new technology created significant differences in the cost of service between
6 | new technology and old. Even though there were and are cost of service
7 | differences between customers served by one type of technology versus another,
8 | no price differentiation based on the cost of central office technology was
9 | implemented. Thus, it may be argued that telephone customers served by one
10 | technology subsidized customers served by another technology. This example
11 | is somewhat analogous to water and/or wastewater customers that are served by
12 | different plants of different treatment types.

13 | Should the Commission consider a pricing scheme for water and wastewater
14 | that includes some cost and/or price averaging and some degree of
15 | subsidization, it would not, in my judgement, be without regulatory precedent.

16 | Q. Previously you mentioned that rate design may impact decisions Southern
17 | States might make regarding acquisitions of other utilities. Would you
18 | describe how you believe rate structure can influence decisions on
19 | acquisitions?

20 | A. The most important factor for the utility to consider regarding
21 | acquisitions is whether it believes it can earn a return on its investment.
22 | However, the utility is also concerned about rate levels of the acquired
23 | utility and favorable acceptance of the acquisition by customers of the
24 | acquired utility.

25 | Rate structure can impact the decision to acquire a smaller utility.

1 Under a rate structure that isolates each service area as a separate rate
2 center, i.e., stand alone rates, or some version of stand alone rates, the
3 acquiring utility will always view acquisitions on a microeconomic level.
4 That is, the acquiring utility will be concerned with the ability of any
5 particular facility to provide a reasonable return on its own. It will look
6 at the compliance record of the facility and what investments might be
7 required to achieve compliance and make it profitable. Finally, it will look
8 at the resulting rate levels after any needed improvements and how those rates
9 relate to existing levels across the utility. If those rates are at the high
10 end of the utility's current rate continuum and the potential for positive
11 return on investment is slight, the utility will most likely not make the
12 investment.

13 On the other hand, if the utility has in place some variation of
14 averaged rates, the ability to cost average may change the utility's decision
15 making equation. A facility that is undesirable on a stand alone basis may
16 be more attractive if costs can be sufficiently diluted company wide to make
17 the addition of the number of customers in question cost effective.

18 Q. Are there any other factors relating to rate design that the Commission
19 should be concerned about?

20 A. One thing that I have not yet mentioned is utility accountability. The
21 Commission desires the utility to be a prudent and efficient business
22 operation, and pricing decisions may influence the utility's behavior
23 regarding accountability and prudence. All other factors being equal, the
24 Commission would choose a rate structure that forced the utility to make every
25 investment decision and managerial decision the most cost effective one. The

1 | most effective way to do that is to force the utility to look at these
2 | decisions as they relate to the costs and benefits of the particular service
3 | area rather than on a total company basis where individual investment
4 | decisions often times appear immaterial. This is not to say that the
5 | Commission could not support a single tariff pricing concept and still
6 | maintain incentives for accountability. I believe it becomes another factor
7 | in a list of sometimes conflicting goals that have to be recognized and
8 | reconciled.

9 | Q. Would you list what you believe to be the relevant factors the
10 | Commission must weigh in considering rate design for Southern States?

11 | A. I believe, as discussed above, that the Commission must consider the
12 | impact of rate design on the affordability of rates for all customers, the
13 | ease of administration, customer acceptance and understandability, fairness
14 | (the degree to which subsidies occur), rate continuity, conservation and
15 | resource protection, revenue stability and predictability for the utility, and
16 | the utility's stance on acquisitions.

17 | Q. Can any rate design achieve the desired ends of all parties involved as
18 | they relate to the factors listed above?

19 | A. I do not believe any single rate design can achieve the best possible
20 | result for each factor. The Commission must balance and prioritize its
21 | objectives and choose a rate design(s) that best serves that particular list
22 | of priorities. For example, customer acceptance and resource protection may
23 | be opposing goals and the Commission may not be able to adequately satisfy
24 | both with the same rate design. In that case, the Commission must decide
25 | which goal is the highest priority.

1 Q. Have you included analyses of rate structure options in your testimony?

2 A. Yes, I have included analyses of five rate design options that I believe
3 are alternatives for the Commission to consider for Southern States at this
4 time. The analysis is in terms of the goals and objectives discussed
5 throughout my testimony.

6 Q. Would you briefly describe those alternatives?

7 A. The first alternative or Option 1 is to continue the rate structure
8 approved by the Commission in Order No. PSC-95-1292-FOF-WS in Docket No.
9 920199-WS. This structure has subsequently been maintained in the
10 Commission's decision on interim rates for the instant docket in Order No.
11 PSC-96-0125-FOF-WS. That rate structure can be described as a modified stand
12 alone rate structure with BFC and gallonage charge pegged at levels not to
13 exceed \$52 for 10,000 gallons of water consumption and a \$65 maximum for
14 wastewater service at 6,000 gallons consumption. The significant feature of
15 this rate structure is that water rates are designed to cost no more than \$52
16 at 10,000 gallons of consumption and the corresponding wastewater rates are
17 capped at \$65 dollars for consumption equal to or greater than 6,000 gallons.

18 It should be noted for clarity that an individual customer's bill for
19 water would exceed \$52 dollars if his or her usage exceeded 10,000 gallons.

20 The establishment of the bench mark for water service at \$52 for 10,000
21 gallons is based on the concept of affordability as determined in the previous
22 rate case. The maximum bill of \$65 for wastewater is also based on
23 affordability as determined in the last rate case.

24 This rate structure does contain subsidies that are required in order
25 to keep the water and wastewater rates within the guidelines discussed for

1 | affordability based on the last rate case. Based on staff's analysis of
2 | evidence in the record from the previous rate case, no water service area
3 | subsidized any other water service area by more than 6.91% of its own revenue
4 | requirement. Similarly, no wastewater service area subsidized any other
5 | wastewater service area by more than 16.7%.

6 | Q. Are there other assumptions regarding this rate structure that should
7 | be noted?

8 | A. For the first option as well as all other options discussed the
9 | allocation of revenue requirements is 40% allocated to the BFC and 60% to the
10 | gallonage charge. This assumption is made for the sake of simplicity and it
11 | also sends a slight conservation signal due to the heavier weighting for the
12 | gallonage component. This is Southern States' proposal in this case and is
13 | consistent with the methodology approved in Docket No. 920199-WS, Order No.
14 | PSC-95-1292-FOF-WS.

15 | In addition, as in the option currently approved for this utility,
16 | residential wastewater service is capped at 6,000 gallons for all other rate
17 | options. This is done to recognize that not all water consumed by residential
18 | water customers returns to the wastewater facility and also to recognize the
19 | typical usage patterns of the Southern States customer base as determined in
20 | Docket No. 920199-WS.

21 | Q. How would you judge this rate structure based on the factors previously
22 | discussed in your testimony?

23 | A. I have prepared and attached a matrix of the analyses of each rate
24 | design option based on the characteristics discussed in my testimony. This
25 | is attached as Exhibit GLS-1 to my testimony. Rather than elaborating on the

1 | impacts of each rate structure as it is presented I would suggest reviewing
2 | the attached matrix. I will summarize those impacts after all the options
3 | have been identified.

4 | Q. What is the next rate option you have identified?

5 | A. The next rate option would be Option 2, stand alone rates. This rate
6 | structure calculates rates for each service area based on its own individual
7 | revenue requirement. Revenue recovery is based on 40% from the BFC and 60%
8 | from the gallonage charge.

9 | Q. Would you describe Option 3, the modified stand alone rate structure
10 | with minimums?

11 | A. The modified stand alone rate structure with minimums or Option 3, is
12 | an extension of Option 1. The difference would be that a minimum level has
13 | been established for the BFC and gallonage charge. The minimum gallonage
14 | charge is a conservation or resource protection measure to prevent the usage
15 | component from being priced abnormally low and thereby encouraging reckless
16 | water usage. A minimum gallonage charge of \$1 was presented to the Commission
17 | as an option in Docket No. 920199-WS. To determine the reasonableness of the
18 | \$1 minimum I reviewed water rates established by the Commission (for utilities
19 | other than Southern States) for cases docketed in the years 1991 through 1994.
20 | I assumed a normal distribution and determined that it is reasonable to expect
21 | that approximately 76% of gallonage charges set by the Commission over that
22 | period would exceed the \$1 per thousand gallon minimum. Thus, should the
23 | Commission choose to employ some type of minimum charge for gallonage it could
24 | do so with the expectation that approximately 24% of service areas will be
25 | impacted.

1 The minimum BFC has no purpose other than to send the pricing signal to
2 consumers that they receive something of value by virtue of having a service
3 connection and that it is worth at least \$4/month. Based on the same period
4 as noted above and also assuming a normal distribution of rate levels for the
5 sample this would mean that the minimum rate would still be lower than 97% of
6 rates in the sample.

7 Q. Would you describe the features of Option 4, or the uniform rate
8 structure?

9 A. Option 4, the uniform rate, or single tariff pricing proposal, simply
10 aggregates the costs and investments of the utility across all water
11 facilities and customers and computes an average water rate. The uniform
12 wastewater rates are computed in the same manner.

13 Q. Describe the rate structure referred to on the matrix as modified
14 uniform or Option 5.

15 A. Option 5 is based on the uniform rate structure but attempts to
16 recognize differences between service areas based on the level of CIAC
17 contribution and differences by service area in types of treatment.

18 Q. Why were contribution level and treatment types selected as factors to
19 differentiate rates?

20 A. These factors were chosen for two reasons. First, these two factors can
21 be somewhat isolated as having some impact on rates under certain
22 circumstances.

23 Second, the parties who opposed uniform rates in previous dockets
24 (specifically Dockets Nos. 920199-WS and 930880-WS) cited the level of CIAC
25 and treatment type as factors that may significantly effect rate levels.

1 These are also factors that are unique and may be significant to a particular
2 service area as opposed to common costs such as salaries, financing, customer
3 service, etc. The Staff developed this rate option that seeks to address
4 those concerns while also mitigating the sometimes extreme rate consequences
5 of stand alone rates.

6 Q. How are differences in levels of CIAC recognized?

7 A. Using data from Southern States' last rate case, our staff developed
8 factors for each facility at varying levels of CIAC. The level of CIAC was
9 varied by increments of 10% from 0% to 100% contribution. The resulting
10 revenue requirement and rates were then calculated at each level of
11 contribution. In addition a rate for each facility was calculated assuming
12 a 75% CIAC level. A factor measuring the departure of each incremental level
13 of CIAC from the 75% level was determined at each level of contribution for
14 each facility. Mr. Casey's testimony further describes the development of
15 these factors.

16 These factors are the basis for determining a final rate on a going
17 forward basis. The factors would be applied to a uniform rate calculated in
18 the instant case to take into account the level of CIAC for a particular
19 service area.

20 Q. How are differences in treatment types recognized?

21 A. Mr. John Starling, a staff engineer, developed these factors. They are
22 based on five categories of treatment for water only. The engineer
23 constructed hypothetical plants and distribution facilities. Factors for each
24 treatment type were then derived from comparing the hypothetical rate for each
25 treatment type.

1 Q. How are the factors for CIAC levels and treatment types used to generate
2 rates?

3 A. All factors are applied to the uniform rate as a factor of 1.0. Since
4 the uniform rate inherently includes all levels of CIAC and all treatment
5 types, we use it as a reference point. Then to determine the rate for service
6 area XYZ you must know the treatment type and level of CIAC. The rate is
7 determined by taking the uniform rate times the factor reflecting the level
8 of CIAC for each service area XYZ. The next step is to consider the factor
9 for treatment type in the same manner.

10 As reflected in Mr. Starling's testimony, a factor of
11 1.0 is assumed for the treatment type simple chlorination. All other
12 categories of treatment types have factors greater than 1.0. The obvious
13 outcome of applying these factors to the uniform rate is that the revenues
14 generated will exceed the revenue requirement. Thus, determination of the
15 final rates will be an iterative process. The excess revenues generated in
16 the first iteration must be used to reduce the level of rates uniformly in the
17 second iteration while maintaining differentiation by treatment type and CIAC
18 level.

19 Q. Would you summarize the results of your analyses relating to each option
20 as contained in Exhibit GLS-1 attached to your testimony?

21 A. Yes. As indicated in the attached Rate Option Summary Analysis, Option
22 1, modified stand alone rates, is strong in the areas of affordability and
23 continuity, and contains some resource protection elements. It gives no
24 consideration to revenue stability, is moderately complicated and does contain
25 subsidies. The degree of subsidization can be impacted by the level of the

1 | bench mark. It may have some positive effect on acquisitions due to the
2 | impact of the bench mark.

3 | Option 2, stand alone rates, is straight forward and contains no
4 | subsidies between service areas. It gives no consideration to affordability,
5 | revenue stability and acquisitions. It will effectively discourage
6 | consumption for high cost service areas but will not address resource
7 | protection for low cost service areas. It will create major impacts for those
8 | customers in some service areas due to the elimination of bench marked rates.

9 | Option 3, modified stand alone rates with minimums, is strong in the
10 | areas of affordability and resource protection. It is roughly in the middle
11 | of the group in so far as revenue stability, impact on acquisitions, ease of
12 | understanding and continuity are concerned. It contains a high degree of
13 | subsidization due to minimums and bench marks.

14 | Option 4, uniform rates, gives strong consideration to affordability and
15 | is easily understood. It will probably have a positive impact on the
16 | utility's decisions regarding acquisitions and also on revenue stability. It
17 | will have some positive impact on resource protection by raising the gallonage
18 | charge to some service areas but will also reduce it in other service areas.
19 | It contains the greatest degree of subsidization of all options and would be
20 | a big change from the structure currently in place.

21 | Option 5, modified uniform rates, is strong in the area of
22 | affordability. It is unclear what impact this structure would have on
23 | resource protection and acquisitions. Subsidies will be present but will be
24 | tempered by accounting for CIAC and treatment type. No consideration is given
25 | to revenue stability. This method is complicated and will be a departure from

1 | previous rate setting practices.

2 | Q. How would index and pass-through increases be addressed for each of the
3 | options contained in the matrix?

4 | A. For Option 1, the most recently approved rates in Docket No. 920199-WS,
5 | the Commission has not yet determined how index and pass-through increases
6 | should be treated. This is an issue because the rates are pegged at a
7 | particular level for a particular level of consumption. Specifically, the
8 | bench mark rate level was established as \$52 at 10,000 gallons of consumption
9 | for water and \$65 at 6,000 gallons for wastewater. However, because of the
10 | remand of the Commission's initial decision on uniform rates, the bench marked
11 | ("capped") rate structure includes two index increases and pass-through
12 | increases (where applicable) for each service area. Since the increases
13 | occurred between the initial uniform rate decision and the subsequent decision
14 | approving a capped rate structure, the index and pass-through increases had
15 | to be accounted for. The record in Docket No. 920199-WS, which contained the
16 | capped rate structure, made no mention of how to deal with index and pass-
17 | through increases. However, the calculated rates in Order No. PSC-95-1292-
18 | FOF-WS included the index and pass-through increases. These increases were
19 | included on a service area by service area (stand alone) basis, effectively
20 | increasing the bench mark amount for those service areas that were already
21 | pegged at \$52 and \$65. As a result, each affected service area has its own
22 | individual cap.

23 | Q. What is the impact of accounting for index and pass-through increases
24 | for Option 1 in this manner?

25 | A. The bench marks of \$52 and \$65 will no longer be correct for the

1 | corresponding services at the respective consumption levels. These amounts
2 | will be increased as a result of the index and pass-through amounts applicable
3 | to each service area.

4 | Q. Do you believe the bench marks for each service should be increased for
5 | index and pass-through amounts on an ongoing basis?

6 | A. The answer to that question depends on what the long term objective of
7 | the rate design for the utility is. By not increasing the bench mark rate
8 | levels for index and pass-through increases, rates for all service areas will
9 | over time converge on that bench mark level. That is not to say that rates
10 | will be uniform, only that at a particular level of consumption the total bill
11 | will be similar. The actual rate levels will depend on the billing
12 | determinants for each service area. The convergence occurs because rates
13 | already at the bench mark levels will not be increased. This would increase
14 | the degree of service area cross subsidization by shifting index and pass-
15 | through increases from some service areas to customers of other service areas.

16 | It seems to me that even if the Commission desires to maintain the bench
17 | mark values as a way to maintain affordable rates in the long run, it would
18 | be prudent to recognize the impact of inflation. It could do so by applying
19 | the index percentage itself to those rates that are already at bench mark
20 | levels. That is, index the bench mark value. This would not necessarily
21 | equate to the same rate for a particular service area that a stand alone index
22 | would yield but would serve to mitigate the extent to which other service
23 | areas would subsidize those service areas whose rates are already at the bench
24 | mark. It would be a middle ground position that would lead to convergence of
25 | rate levels among service areas at a slower pace if that is a goal. Should

1 | the Commission choose this method and this rate structure I would recommend
2 | only increasing the capped amounts by the index value at the time that
3 | Southern States actually applies for the index increase.

4 | Much the same logic would apply to pass-through increases. Should the
5 | Commission wish to address affordability through rate caps then it would not
6 | apply pass-through increases to rate bench marks. If long term rate
7 | convergence is not desirable then pass-through increases could be directly
8 | assigned to customers of particular service areas.

9 | It should be noted that subsequent to the decision reflected in Order
10 | No. PSC-95-1292-FOF-WS, Docket No. 920199-WS, the Commission approved interim
11 | rates in the instant docket which maintained bench mark values of \$52 and \$65
12 | dollars. This had the effect of redistributing index and pass-through
13 | revenues across other service areas. It appeared that in the absence of any
14 | testimony to support increasing the bench mark levels the Commission chose to
15 | maintain the integrity of the decision reflected in Order No. PSC-95-1292-FOF-
16 | WS.

17 | Q. How do index and pass-through increases impact the other rate options?

18 | A. Under Option 2, stand alone rates, index and pass-through increases
19 | would have no significant impact other than to increase rates for individual
20 | service areas based directly on calculated index and pass-through amounts for
21 | each service area.

22 | For Option 3, the bench marked rates with minimum BFC and gallonage
23 | charge, the impact would be the same as in Option 1 above creating an
24 | accelerated convergence of rate levels.

25 | Option 4 is the uniform rate option and under this scenario, index and

1 | pass-through impacts would be aggregated across all service areas and a
2 | uniform increase would result.

3 | Since Option 5 is based on uniformity, the index and pass-through
4 | procedure would be the same with increases applied to the uniform rate prior
5 | to the application of the factors for CIAC level and treatment type.

6 | Q. Does this conclude your testimony?

7 | A. Yes.

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1 Q (By Ms. Capeless) Thank you. Do you have a
2 summary of your testimony?

3 A Yes.

4 Q Please give that.

5 A The purpose of my testimony is to identify
6 what I believe to be reasonable goals and objectives for
7 the Commission for the water and wastewater industry. I
8 also consider how these goals and objectives impact rate
9 design policy and how rate design policy relates to rate
10 structure options for this utility.

11 Finally, my testimony discusses several Staff-
12 proposed rate options.

13 MS. CAPELESS: Thank you. We tender the
14 witness for cross examination.

15 CHAIRMAN CLARK: Mr. McLean.

16 MR. McLEAN: No questions. Thank you.

17 CHAIRMAN CLARK: Mr. Jacobs.

18 MR. JACOBS: I don't have any questions.

19 Mr. Twomey had a series of questions and I was supposed
20 to delay you for a few minutes until he got back, but I
21 don't need to do that because he's right here.

22 CHAIRMAN CLARK: It worked.

23 CROSS EXAMINATION

24 BY MR. TWOMEY:

25 Q Good afternoon, Mr. Shafer.

1 A Good afternoon.

2 Q Let me ask you at the outset, my reading of
3 the prehearing order is is that Staff has taken no
4 position on the rate structure to be approved in this
5 case, right?

6 A I'll accept that. I haven't reviewed the
7 prehearing order.

8 Q Okay. Your -- as I read your testimony at
9 Page 1, some of your current responsibilities include
10 Staff-assisted rate cases; is that correct?

11 A That's correct.

12 Q Isn't it generally perceived that uniform
13 rates, Mr. Shafer, will result in fewer Staff-assisted
14 rate cases?

15 A I guess I don't really understand the
16 connection. Staff-assisted rate cases are for --
17 typically for utilities that are comprised of single
18 service areas or single-plant service areas. And so a
19 uniform rate that might apply to more than one service
20 area isn't relevant to Staff-assisted rate cases and
21 therefore I don't see, you know, what impact the uniform
22 rate decision on a multi-system or multi-service area
23 utility would have on the number of Staff-assisted rate
24 cases, unless I'm missing something.

25 COMMISSIONER KIESLING: Mr. Shafer, could you

1 get a little closer to the mike? I'm having a little
2 trouble hearing you over noise.

3 Q (By Mr. Twomey) Well, sir, isn't it true that
4 if there was a standalone small utility out there, that
5 was eligible for Staff-assisted rate cases pursuant to
6 statute in the Commission's rules, and then it were
7 purchased by a larger utility, that it would presumably
8 take that -- its eligibility for Staff assistance away;
9 is that your understanding?

10 A If the purchasing utility exceeded the annual
11 revenue threshold in the statute, that would be correct.

12 Q Sure. And isn't it true, if you're aware,
13 that that's what's happened in some cases with the -- as
14 a result of the systems acquired by SSU over the years?

15 A Presumably, if they have purchased systems
16 that would have otherwise qualified for Staff
17 assistance, yes, that would be true.

18 Q At Page 5 of your testimony, Mr. Shafer, you
19 say that the Commission may, for example, "choose to
20 implement conservation rates for extremely low cost
21 plants and use any plant specific excess revenues to
22 offset extremely high rates in other service areas."
23 You say that, right?

24 A Yes.

25 Q Let me ask you first, to be conservation rates

1 in the true sense, don't the rates have to be designed
2 or intended to affect conservation?

3 A To be conservation rates, as I have viewed
4 them for the purpose of the testimony, it would be a
5 rate design designed to suppress consumption in some
6 way, shape or form, or at least to manage consumption.

7 (Transcript continues in sequence in
8 Volume 29.)

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DOCKET 950495-WS
EXHIBIT 190
CASE NO. 96-04227
AUDIT EXCEPTION NO. 1

SUBJECT: COMPANY'S BOOKS AND RECORDS

FACTS: Per Commission Rule 25-30.450, "The work sheets, etc. supporting the schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time."

In order for Southern States to reconcile with the MFR Water and Sewer combined Plant in Service total, as of 12-31-94, it went through the following steps:

G/L Plant total	1010	\$274,161,869
Plus Future Use	1030	34,908,326
Less County Plants		
W & S Plant	1010	(30,864,863)
Future Use	1030	(1,387,592)
Reconciling items		
Water		41,142
Sewer		(196,585)
Gen Plant		(168,642)
G/L Items not in MFRs		(6,286)
County and Gas General Plant		(5,804,867)
Land for Future Use 1030		(437,839)
Immaterial Difference		<u>1,933</u>
TOTAL		\$270,246,596

MFR - FPSC ALL PLANTS
June 28, 1995 Filing

Vol III 5 of 6 1994 A-5(W)	\$149,079,749
Vol III 5 of 6 1994 A-5(S)	121,166,847
TOTAL	\$270,246,596

Southern States provided documentation for the above reconciling items.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET 950495-WS **EXHIBIT NO** 190
NO. 950495-WS
COMPANY/ FPSC Dodrill
WITNESS: 4/27/96
DATE: 4/27/96

Audit Exception No. 1, continued.

Southern States was also asked to reconcile General Ledger Accumulated Depreciation with the MFR total. This request was made via Document Request No. 113 on October 6, 1995. The request due date was October 13, 1995; however, it was not received until October 23, 1995.

Southern States stated that a reconciliation of book accumulated depreciation (A/D) to MFR accumulated depreciation, ". . . would be an extremely difficult task to accomplish."

Per the Company, "'Balance per books' is a generic column heading that is used on a multitude of schedules. It does not always necessarily mean the general ledger specifically."

OPINION/RECOMMENDATION: Southern States books and records are in violation of the above Commission Rule. The books and records (MFR Filings) of Southern States Utilities did not enable Commission personnel to verify the schedules in an expedient manner and with the minimum amount of time. For instance, concerning the above Accumulated Depreciation reconciliation, Southern States said that it would require, ". . . at least two weeks . . ." for its own employees to complete the task.

The Audit Staff is of the belief that the MFRs should begin with the general ledger amount, then adjustments made to achieve the balance submitted for rates. Presently, the Historical 1994 Per Book Balances in the MFRs cannot be agreed to the books expediently.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT EXCEPTION NO. 2

**SUBJECT: NONCOMPLIANCE WITH NARUC ACCOUNTING INSTRUCTION
#24.F UTILITY PLANT - LAND AND LAND RIGHTS**

FACTS: Rule 25-30.115, F.A.C., requires water and sewer utilities to maintain their books and records in conformity with the 1984 NARUC Uniform System of accounts (US of A) adopted by the National Association of Regulatory Utility Commissioners.

Southern States Utilities Inc. is a Class A Utility according to the NARUC definition found in Accounting Instruction 1.

The 1984 NARUC Class A Water Utility Accounting Instruction 24 Utility Plant - Land and Land Rights in Section F states in whole,

When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - **Property Held for future use**, or account 121 - **Non-utility Property**, as appropriate.

The Southern States Collier family acquisition of land for a water source included a total of 212.5 acres. According to a survey for the Hanson Appraisal of the subject land commissioned by Gordon H. Harris, an attorney for Southern States Utilities, the acreage breakdown between Water Source Lakes, Wetlands and Uplands is as follows:

1.	Lakes	56.29 Acres
2.	Wetlands	71.28 Acres
3.	Uplands	<u>84.93</u> Acres
		212.50 Total Acres

Besides the April 1995 Hanson Appraisal, four other appraisals were presented to the audit staff. While the Florida Public Service Commission does not allow appraisals in place of original cost for rate base purposes, the use of appraisals for allocating the cost of "Lump Sum Purchases" is a generally accepted procedure. A summary of the five appraisals appears below.

When dealing with land costs FAS-67 states, "Total capitalized land cost are allocated based on the relative fair value of each land parcel prior to any construction. A land parcel may be identified as a lot, an acre, acreage, a unit, or a tract."

Audit Exception No. 2, continued.

DATE	APPRAISER	VALUE OF ENTIRE PARCEL	WATER SOURCE LAKES	VALUE OF ACQUIRED REAL ESTATE
Apr-95	Hanson Svcs.	\$3,606,500	\$ 140,725	\$ 3,296,416
Apr-95	Klusza Assoc.	7,900,000	1,500,000	6,400,000
Jun-94	Carroll	7,200,000	2,400,000	4,770,000
Jun-94	John Calhoun	4,241,800	-0-	4,200,200
Oct-92	Calhoun Assoc.	4,070,600	-0-	4,070,600

Southern States provided an invoice from Calhoun and Associates, Inc. dated November 24, 1992, for the above appraisal report for \$13,051. The invoice stated in whole,

Inspection of property, conferences with representative of Southern States Utilities, research for both commercial and residential land sales throughout Collier County, research land use issues, inspect all sales and verify all data, analysis of data, and preparation of appraisal report.

(Emphasis added)

The above appraisals were valued as if the subject property were zoned residential and commercial but, in fact, the property is zoned agricultural. Each appraiser indicated that it saw no difficulty in having the zoning changed for development purposes. The appraisals stated that Collier Planning Board has the long-term use for the subject property mapped out as residential.

Southern States is bringing the subject water source land addition into rate base in two portions. The first portion in 1994 with \$4,400,081 and the balance in 1995 with an addition to the land account of 4,799,919.

Marco Island Utilities
Plant in service
Land Addition

1994	\$4,400,081
1995	<u>4,799,919</u>
	\$9,200,000

Audit Exception No. 2, continued.

OPINION: Based on the reading of the facts in above appraisals, it is clear that Southern States is acquiring more than just a water source with the Collier Condemnation. According to the NARUC Land account description at point 3. above, the final purchase price (condemnation settlement costs) should be allocated by an acceptable method to 1) the Collier Lakes water source acquisition and 2) the residential and commercial real estate investment.

Acceptable methods of allocation would include the generally accepted Lump Sum or basket purchase method of evaluating components of an acquisition. We might also look at the NARUC accounting instruction itself which mentions, ". . . less the fair market value of that portion of the land which is not to be used" in which "portion" appears to be talking about acreage.

For purposes of this exception, we will calculate the allocation using both the acreage method and the lump sum purchase method.

Using the Hanson acreage listed above, the percentage condemnation cost allocated to water source "LAKES" would be calculated as follows. The condemnation costs allocated to upland residential and commercial real estate remains.

	Acres	Percent	Allocated Purchase Price	Corrected Charge
Lakes	56.29	39.9%	\$3,670,800	UPIS-Water
Uplands	<u>84.93</u>	<u>60.1%</u>	<u>5,529,200</u>	Upland Real Estate
Total	141.22	100.0%	\$9,200,000	Total cost of condemnation

Of the above four appraisals, the Hanson appraisal was the most detailed and contained facts concerning the acreage for the lake, the wetlands and the uplands including an allocation of the access easement.

Alternatively, the "lump sum purchase" method of allocating asset costs based on relative estimated fair market value yields the following allocation of the condemnation costs. In this case, the two Calhoun appraisals did not identify any costs associated with the water source lakes. Using the other three appraisals to allocate the \$9,200,000 condemnation costs between the water source and the real estate portions, the following calculation follows accepted accounting methodology for allocating "lump sum purchase" costs.

Audit Exception No. 2, continued.

DATE	APPRAISER	PARCEL	REAL ESTATE	PERCENT
Apr-95	Hanson Svcs.	\$3,606,454	3,296,416	91.4%
Apr-95	Klusza Assoc.	7,900,000	6,400,000	81.0%
Jun-94	Carroll	7,200,000	4,770,000	<u>66.3%</u>
			REAL ESTATE AVERAGE %	79.6%

ALLOCATION OF THE COLLIER CONDEMNATION COST USING THE LUMP SUM PURCHASE METHOD.

	Percent	Allocated Purchase Price	Correct Charge
Other*	20.4%	\$1,876,800	UPIS-Water Land
Uplands	<u>79.6%</u>	<u>7,323,200</u>	Upland Real Estate
Total	100.0%	\$9,200,000	Total cost of condemnation.

* Other includes water source lakes and wetlands

NONUTILITY PROPERTY CLASSIFICATION

The real estate portion of the above allocations should be charged to Account 121 Nonutility Property as opposed to Account 103 Plant Held for Future Use. This statement is made for two logical reasons. First, in none of the engineering studies or Marco Island Planning documents reviewed during this docket's field work, including the January 1995 Draft Planning Document for Marco Island prepared by the Planning and Engineering Department of Southern States Utilities, Inc., was there any mention of additional water extraction from the Collier Lakes property. Secondly, all of the appraisals indicate the highest use of this land would be for residential and commercial development.

RECOMMENDATION: The Commission should reduce the cost of the condemnation of the Collier Property charged to Water Source Land Account 303 by the value of the real estate acquired. The cost allocated to Real Estate should be determined by either the direct acreage method or the lump sum purchase method. These allocation methods yield reductions of \$5,529,200 or \$7,323,200 from the Marco Island Water land account, respectively. These Real Estate Investment costs should be charged to Account Number 121 Nonutility Property.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT EXCEPTION NO. 3

**SUBJECT: DEFERRED DEBITS FOR ACQUISITION OF WATER SOURCE LAND
CONTAINED NONUTILITY CHARGES**

FACTS: As stated in Exception No. 2, Southern States Utilities, Inc. is required to maintain its books and records in conformity with the 1984 Class A NARUC Uniform System of Accounts per Rule 25-30.115, Florida Administrative Code.

The Deferred Debits account filed in the current SSU Rate Proceeding contains \$886,409 for the development and ultimate purchase of water source land known as the Dude Property.

The 1984 NARUC Class A Water Uniform System of Accounts Utility Plant - Land and Land Rights in Section F states in whole,

When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for future use, or account 121 - Non-utility Property, as appropriate.

In 1992 Southern States hired and paid Appraisal Research to do an appraisal of the mining potential of the Dude Property.

~~The value of the mining potential of the Dude Property with 100 acres used as a borrow pit was stated by Appraisal Research to be \$3,600,000.~~

Southern States provided an April 4, 1991, letter between two of its officers outlining its planned provision of raw irrigation water for Mass. Mutual Golf Course. The letter stated that, "Water supply for this project will come from the "Dude Project" (Southfield Farms)."

Audit Exception No. 3, continued.

OPINION: ~~Out of the 160 acres of the Dude property, the appraisal states that 100 acres were available for the pit-mining.~~ Allocating the \$886,409 proposed as Dude property development costs based on acres devoted to mining vs. acres for a water source yields the following:

	<u>ACRES</u>	<u>PERCENT</u>
Mining acres	100	62.5%
Water source acres	60	37.5%
	-----	-----
Total acres	160	100.0%
Total costs to be allocated are:		\$886,409
	Mining percent	62.5%

Development costs allocated to mining		\$554,000
Balance allocated to water source		<u>332,409</u>
	Total allocated	\$886,409

Concerning the water source classification, documents obtained during SSU field work indicate that the water source at the Dude property was to be used for raw water sales to Massachusetts Mutual Golf Course. This golf course is out of SSU's certificated service area and the revenue would be nonutility income. According to a draft of an agreement between Collier County, Mass. Mutual Golf Course and Southern States (Tri-party agreement), Southern States was to provide raw irrigation water as an interim step towards eventually providing treated effluent for irrigation.

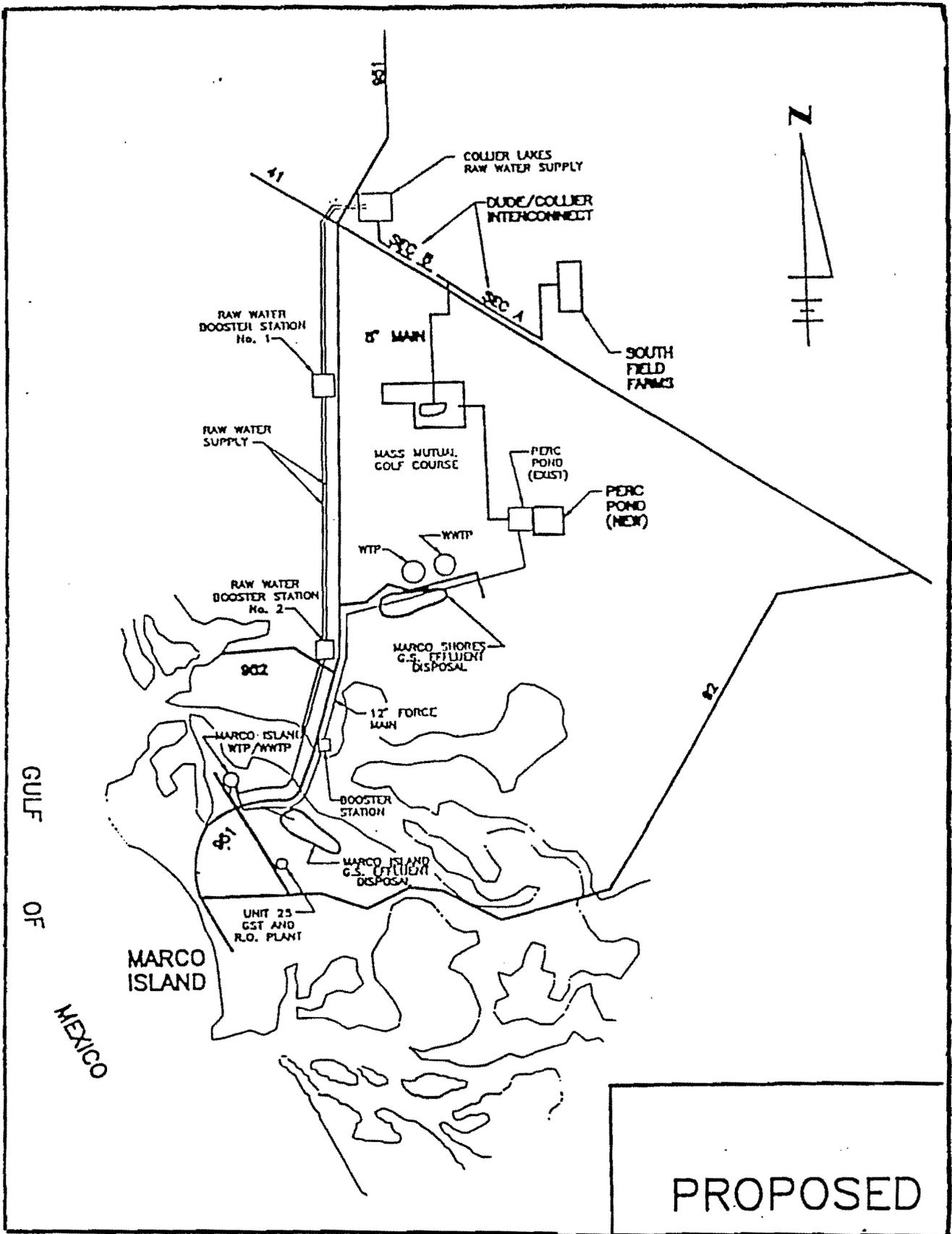
As mentioned in the Facts section, Southern States provided a letter between two of its officers Re: Raw Water Supply - Mass. Mutual Golf Course outlining and mapping its planned provision of raw irrigation water for Mass. Mutual Golf Course. See attached map which was enclosed in the letter.

Expenditures made with the objective of earning nonutility income are nonutility in nature.

RECOMMENDATION: Reclassify the \$886,409 in deferred debits to account #426.13 Miscellaneous Nonutility Expenses - Preliminary survey and investigation expenses related to abandoned projects.

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Exception No. 3



AUDIT EXCEPTION NO. 10

SUBJECT: ORGANIZATION COSTS

FACTS: Document Request No. 95, dated September 27, was for Organization Cost removal documentation. On September 28, Southern States said that it would not provide the requested information. It finally provided the information on October 11, 1995.

The last day of field work was October 13, 1995.

FPSC Rule No. 25-30.450 Audit Provision states in part,

In each instance, the utility must be able to support any schedule submitted, as well as any adjustments or allocations relied on by the utility. The work sheets, etc. supporting the schedules and data submitted must be organized in a systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time....

Emphasis added

Organization costs went from 1989 average balances of \$744,305 and \$93,938 to 1991 average balances of \$27,767 and \$43,393 for Water and Sewer, respectively.

OPINION/RECOMMENDATION: Field staff believes that the above delay was a violation of FPSC Rule No. 25-30.450 Audit Provision. If the data had been provided in a timely manner, a complete review of the information could have been accomplished with additional follow-up, if any, and the issue closed.

Given the problems associated with and the overall magnitude of this issue, it is recommended that this issue be reviewed further by the Commission. (See Disclosure 18.)

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 2

SUBJECT: NONCOMPLIANCE WITH NARUC ACCOUNT 103 - PROPERTY HELD FOR FUTURE USE

FACTS: Rule 25-30.115, F.A.C., requires, "Water and Sewer Utilities to maintain their books and records in conformity with the 1984 NARUC Uniform System of accounts (USofA) adopted by the National Association of Regulatory Utility Commissioners."

The 1984 NARUC Class A System of Accounts provides the following description of UPIS Account 103, Property Held for Future Use, "This account shall include the original cost of property owned and held for future use in utility service"

A CAR (Capital Authorization Request) form found in a sample of SSU project files indicated that the 1995 Lehigh land addition was for future utility use.

The Southern States MFRs for Lehigh Utilities did not indicate any 1995 non-used land.

In response to a document request, Southern States stated that of the \$414,605 1995 Lehigh land additions, \$120,840 and \$260,562 were actually future use Water and Sewer land, respectively.

OPINION: Lehigh land additions representing future Plant in Service should be removed from current rate making consideration in the amounts of \$120,840 and \$260,562 from Water and Sewer, respectively.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 17**SUBJECT: FUTURE PLANT REMAINING IN UTILITY PLANT IN SERVICE**

FACTS: The audit staff asked Southern States to reconcile its General Ledger water and sewer Utility Plant in Service balances as of 12-31-94, to those balances in the MFRs.

Southern States began its reconciliation by adding \$34,908,326 of Plant Held for Future Use (Account 103) to booked Utility Plant in Service (Account 101). (See Exception No. 1.)

SSU then reduced this balance by the future use portion relating to county plants \$1,387,592 and the land held for future use amount of \$437,839. The remaining amount reconciled with the SSU Filed Utility Plant in Service Accounts. (#1010)

OPINION: It appears as though there is \$33,082,895 of Plant Held for Future Use remaining in the SSU General Ledger amount which reconciled to the MFR Plant balances. (The future use portions of that reconciliation is extracted in the calculation below.)

		FUTURE PLANT ONLY
Future Use Plant	1030	\$34,908,326
Less County Plants		
Future Use	1030	(1,387,592)
Future Use Land	1030	<u>(437,839)</u>
Total Remaining	1030	\$33,082,895

The FPSC Engineers assigned to review Future Use Plant should be aware that SSU feels that according to its classification there is \$33,082,895 of future plant in its filed UPIS balances.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 18**SUBJECT: ORGANIZATION COSTS**

FACTS: Document Request No. 95, dated September 27, was for Organization Cost removal documentation. Southern States provided the information to the audit staff on October 11, 1995.

Document Request No. 114 dated October 11, 1995, was responded to on October 13, 1995, the last day of field work.

OPINION: The audit staff believes that the above is a violation of FPSC Rule No. 25-30.450 Audit Provision. (See Exception 10.)

Due to time considerations, only a judgmental sample of two journal entries of the documentation supplied, by way of Document Request No. 114, could be analyzed. The first was for the removal of \$20,080 of Organization Costs. Of that total, \$17,563 or 87.29% was transferred to other Rate Base accounts. \$1,009 or 5.02% went to Various Expenses and \$1,548 or 7.69% went to Acquisition Adjustment and Nonutility Expenses.

The second transaction analyzed consisted of a twelve-page journal entry to correct Organization Cost Accumulated Depreciation. A total of the regulated Accumulated Depreciation Account (#108.110) net reductions was taken. A total of the offsetting Accumulated Amortization of Acquisition Adjustment Account (#115.00) was taken. The following totals were accumulated from this journal entry for water and sewer combined.

Debit	# 108.110	\$ 152,709
Credit	# 115.000	\$(128,625)

Given the problems associated with these Journal Entries and the lack of time for analysis, it is recommended that this issue be reviewed further by the Commission.

COMPANY COMMENTS: The Company may respond at a later date.

SSU
D#950495-WS

Doc RFD #31 SCHED.

PTY 1996

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**SOUTHERN STATES UTILITIES
1994
UTILITY PLANT IN SERVICE
MFR'S FPSC REGULATED TO GL TOTAL COMPANY
RECONCILIATION**

12/31/94 Balance per GL (Total Company)			
1010	274,161,869	A	
1030	34,908,328	B	
Total Company Plant	<u>309,070,195</u>		
Less County Plants: (Hernando, Hillsborough, Polk)			
1010 - Water & Sewer	30,864,863	I	
1030	1,387,592	J	
Total County Plant	<u>32,252,455</u>		
Total FPSC Regulated Plants	<u><u>276,817,740</u></u>		
Reconciliation items: (see attached)			
Water	41,142	C	
Sewer	(196,585)	D	
GP	<u>(168,642)</u>	E	
	(324,085)		
GL Balances not picked up in MFR's (Plant 00001)	(6,286)	F	
County & Gas portion of Allocated GP	(5,804,867)	G	
1030 Land held for future use	<u>(437,839)</u>	H	
	<u><u>270,244,663</u></u>		
Balances per MFR's - FPSC ALL PLANTS (June 28 filing)			
Vol III 5 of 6 1994 A-5(W)	149,079,749		
Vol III 6 of 6 1994 A-8(S)	<u>121,166,847</u>		
	<u><u>270,246,596</u></u>		
Variance from MFR Historic Ending Balance to GL	1,933		
Immaterial difference			



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Source: <u>PBC</u>	<u>MFR vs GL UPIS RECONCILIATION</u>	<u>16-1</u>
		<u>2</u>

SSU
D#950495-WS

(w)

PTY 1996

October 8, 1995

TO: Robert Dodrill
FPSC Auditor

FROM: Judy Kimball

RE: FPSC Audit Document Request 113

A) Please provide the lead workpapers for depreciation expense calculation, including support for rates used.

Attached to this response is one volume of workpapers which build accumulated depreciation by plant and by account from the last test year through 1994. These workpapers show the expense for each year, added to the accumulated depreciation balances, to build accumulated depreciation. There are no workpapers for depreciation expense for 1995 and 1996 other than the actual depreciation schedules contained in the Minimum Filing Requirements. The expense calculations are shown on Schedule B13 for water and B14 for wastewater. These schedules show the average plant balance, the depreciation rate and life, and carries through to show the resulting expense (both useful and non-used and useful). This same information is also shown for 1994 within the Minimum Filing Requirements as well as in the volume of workpapers for the accumulated depreciation buildup.

Also attached is a schedule which presents, by plant, the depreciation rates used to build accumulated depreciation since the plant's last rate case as well as to compute expense in 1994, 1995, and 1996. As can be seen on the schedule, most plants used the following depreciation rates:

- If, in the last rate case, the plant already had depreciation rates as prescribed in Rule 25-30.140 (we refer to these rates as "accelerated rates"), then these accelerated rates were used for all years since the last rate case to build up accumulated depreciation and to calculate expense.
- If going into the last rate case, the plant had been under the 2.5% composite rate authorized by the Commission, then accumulated depreciation was continued under the 2.5% rate for 1992 and eight months of 1993, at which time the final revenue became effective whereby there would be a proper matching of the accelerated rates with the revenue being collected. At that time, the rates were changed to the accelerated rates.

The last page of the schedule depicts those plants which were not under uniform rates and which in some cases, had different circumstances than those described above. Many of those plants had not had a prior rate case; therefore, 2.5% was used through 1995 and 1996 reflects the accelerated rates. Some plants that had been under County jurisdiction and that had rate cases, used the County authorized rates until 1996, at which time they were changed to the accelerated rates.

B) Please also provide a reconciliation of book a/d to MFR accumulated depreciation at 1/1/94.

You discussed this reconciliation with me at least one month ago, at which time I told you this would be an extremely difficult task to accomplish. I also told you that as long as our beginning accumulated depreciation balances in the MFRs are verified as correct and if the ensuing buildup of accumulated depreciation within the MFRs is correct, then there was no need to reconcile the balance to the books. The books should be a moot issue. I also told you several reasons that book accumulated depreciation would not agree with accumulated depreciation in the MFRs. Because this conversation took place at

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Doc Rea 113 (A)

Source: ABC

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PTY 1996

least one month ago and because I had had no further word from you regarding this matter, my assumption was that you had accepted my explanation and we would not have to do this reconciliation. As a result, we did not start the required analysis. When you handed me this request, you indicated you had left the due date blank because you did not know how long it would take. I indicated that it would take at least two weeks due to the complexity and to the fact that the analyst who would help me with this reconciliation would be in the NARUC school the week of October 9. You proceeded to affix a one week due date on the request with "FIRM" written next to the date. October 13 is not an acceptable due date for responding to this request. Not only did I indicate we needed at least two weeks, but you knew at least a month ago that this would be an extremely complicated reconciliation. Any further communication you wish to have regarding this date should be conducted with Brian Armstrong.

Audit Note:

FIRM because 10/13/95 was to be the
LAST DAY OF AUDIT FIELD WORK 10/8/95

10-113P
3/2 3/9

Doc Ref 113 (A)

Source: ABC

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PTY 1996

10/23/95 MON 09:30 FAX 407 880 1061

SSU

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Southern States Utilities, Inc
Reconciliation of
1993 Accumulated Depreciation
General Ledger to MFR's

	Water	Sewer	General Plant	Total
12/31/93 Balance per General Ledger	\$ (32,442,354)	\$ (29,900,070)	\$ (9,186,855)	\$ (71,529,279)
Less VGU Balance	3,734,459	3,222,474	440,177	7,397,110
Total General Ledger Excluding VGU	(28,707,895)	(26,677,597)	(8,746,678)	(64,132,169)
Plus 1991 Lead Schedule Adjustments (in MFRs but not on books):				
Improper Purchase Accounting	(828,901)	(2,045,200)	0	(2,874,101)
Depreciation on Assets Unbooked at Acquisition	(111,197)	(114,829)	0	(226,026)
Unbooked Retirements	18,305	21,262	0	39,567
Accounting Mistakes	15,859	(57,663)	40,438	(1,366)
Depreciation on Non-Used and Useful	(911,812)	(908,937)	0	(1,820,749)
Total Adjustments reconciled on Lead schedules	(1,817,746)	(3,105,467)	40,438	(4,882,775)
Plus Additional 1989-1993 Adjustments				
1989-1991 Adjustments due to Incorrect Rates	466,224	198,123	0	664,347
1989-1991 Adjustments due to Asset Correction	(2,385)	2,806	0	440
'92 Adjustments due to Incorrect Rates	262,246	326,545	86,767	675,557
'92 Adjustments due to Asset Correction	6,399	(3,239)	0	3,160
'92 Depreciation on Non-Used and Useful	(478,484)	(389,828)	0	(868,312)
'93 Adjustments due to Incorrect Rates	164,297	373,170	(10,838)	526,629
'93 Adjustments due to Asset Correction	8,932	(5,918)	0	3,014
'93 Depreciation on Non-Used and Useful	(475,142)	(371,115)	0	(846,257)
Total Additional Adjustments 1989-1993	(19,874)	130,544	75,928	186,599
Total Adjusted General Ledger 1993 Balance	\$ (30,545,815)	\$ (29,652,519)	\$ (8,630,314)	\$ (68,828,648)
12/31/93 Balance per MFR's	\$ (31,485,947)	\$ (29,686,161)	\$ (8,223,607)	\$ (69,395,615)
Plus Adjustments Needed on MFR's				
Prior Period Retirements shown in 1995 MFR's	141,680	161,252	0	302,932
Marion Oaks Adjustments due to Incorrect Rates	(6,856)	(36,727)	0	(43,583)
Adjustments for 1993 MFR Balance	132,824	124,525	0	257,349
Total Adjusted MFR's	\$ (31,333,023)	\$ (29,541,656)	\$ (8,223,607)	\$ (69,098,286)
Variance MFR's to General Ledger	\$ (787,608)	\$ 110,883	\$ 406,707	\$ (269,938)
Less Plant 01 not picked up in MFR's	187,620	(17)	0	187,603
Total Adjustment needed to General Ledger	\$ (599,988)	\$ 110,866	\$ 406,707	\$ (82,335)

Notes

MFRs historically moved several items booked as general plant to water asset accounts. The books continued to depreciate as general plant assets. That explains why general plant accumulated depreciation is greater on the books than in the MFRs, but water accumulated depreciation is less on the books than in the MFRs.

*asset accounts deprec rates are less than Gen PT rates on books
1. Books acc deprec > than MFR*

10/23/95 1:22 PM MELINDA.JLB

still doesn't reconcile with 12-31-94

*Doc Ref 113 (13)
VIA FAX*

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D#950495-WS

10/95

PTY 1996

SSU

002

10/23/95 MON 09:20 FAX 407 880 1061

FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT

UTILITY: JUDY KIMBALL
FROM: SSU
CHARLESTON WINSTON
(AUDIT MANAGER)

ROBERT DODRILL
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: 113
AUDIT PURPOSE: RATE CASE D#950495-WS

DATE OF REQUEST: 10-6-95

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: 10-13-95 FIRM
(DATE)

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION: DEPRECIATION WORKPAPERS/RATES

A) PLEASE PROVIDE THE LEAD WORKPAPERS FOR DEPRECIATION
EXPENSE CALCULATION, INCLUDING SUPPORT FOR RATES USED.

B) PLEASE ALSO PROVIDE A RECONCILIATION OF BOOK A/D
TO MFR ACCUMULATED DEPRECIATION AT 1994 1/1/94.

TO: AUDIT MANAGER Charleston Winston

DATE: 10/9/95

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY (B) 10/23/95
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY 10/20/95
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 384.183, 366.093, OR 387.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball, ASST VP, Finance
(SIGNATURE AND TITLE OF RESPONDENT)

DISTRIBUTION:
White: Utility Complete and Return to Auditor
Pink: Audit File Copy
Canary: Utility Retain

PSC/AFA-6 (Rev.2/95)

Doc REG 113 (B)
VIA FAX

Source: ABC

16-1
4

SSU
D#950495-WS

10/96

PTY 1996

10/23/95 MON 09:30 FAX 407 880 1061

SSU

003

October 23, 1995



TO: Robert Dodrill
FPSC Auditor

FROM: Judy Kimball

RE: FPSC Audit Document Request 113

Attached is the reconciliation of accumulated depreciation at 12/31/93 of the general ledger to the MFR balances as requested in part B of Audit Request 113.

Doc Req 113 (B)
VIA FAX

Source: PBC

16-1
4

PTY 1996

WORKPAPER 17 INDEX

- #17 (1/2) Listing of Water Land additions 1993 to 1996 with conclusion
- #17 (2/2) Listing of Sewer Land additions 1993 to 1996 with conclusion
- #17-1 Text of Exception No. 2
- #17-1/1 2/6 Carroll Appraisal of Collier Land results.
3/6 Hanson " " " " "
4/6 Klusza " " " " "
5/6 Calhoun " " " " "
6/6 Associates " " " " "
- #17-1
1-1 NARUC Accounting Instruction F. land and Land Rights
- #17-1
2 Calhoun and Associates invoice "...commercial and residential land sales..." reference.
- #17-1
2-1 Collier Land zoning designation (verified at Collier County Appraisers office. W/P 21 Plant Tour)
4/4 "Water source is considered a short-term use"
- /3 MFR Showing Collier Condemnation cost addition
- /4 Calculation of allocation of costs
- /5 FAS-67 Allocation of Capital Costs - LAND
- /6 SSU Collier Property Condemnation Cost Summary 94CS056
- /7 SSU Collier Condemnation "Stipulation regarding Deposit"
- /8 SSU Collier Condemnation "Stipulated Final Judgement"
- /9 Map of Collier Property taken

SOURCE: AS REF.

17 INDEX

SSU
 D#950495-WS
 WATER SAME
 LAND ADDITIONS IN
 PTY 1996

OW

AWPLA 93

DELTONA	-0-
LEHIGH	-0-
PINE RIDGE	-0-
PALM VALLEY	-0-
MARION OAKS	-0-
MARCO ISLAND	28,314
CITRUS SPR.	-0-
KEYSTONE	-0-
UNIVERSITY	-0-
FOX RUN	-0-

AWPLA 94

$\frac{10-11}{3}$ (B)

MARCO I	4,400,081
DELTONA	< 2,000 > ABS
BURNT STO.	-0-
LEHIGH	-0-
MARION OAKS	-0-
BEACON HILL	-0-
PINE RIDGE	-0-
POINT O WOODS	-0-
CITRUS SPR.	-0-
SKYCREST	-0-

SEE EXCEPTION 2 # 17-1

AWPLAD 95

$\frac{17-1}{3}$ (B)

MARCO I	4,799,919	99.6%
DELTONA	-0-	
LEHIGH	154,043	
BEACON H.	-0-	
BURNT STO.	-0-	
WESTERN	-0-	
MARION O.	-0-	
E LAKE HARBOR	-0-	
LAKE SIDE	-0-	
PINE RIDGE	-0-	

SEE EXCEPTION 2 # 17-1

SEE DISCLOSURE 2 # 18-1 AND DETAIL # 18-1
2

AWPLAD 96

ORANGE OAK	41,400
MARCO/LEHIGH	-0-
DELTONA/CIT	-0-
SUNLARK	-0-
CHU/BS/MS	-0-

CONCLUSION

MARCO ISLAND ADDITIONS REPRESENT
99.6% OF TOTAL WATER LAND ADDS
 $\frac{9,200,000}{9,425,757} = 97.6\%$

Source: MFR SCRAPES

17 (1/2)

SSU
 D#950495-WS
 SEWER SAMAE
 LAND ADDITIONS IN

aw

PTY 1996

ASPLAD 93

DELTONA	-0-
LEHIGH	-0-
MARCO	206,370
SUNSHINE	155,230
BEACH	-0-
UNIVERSITY	-0-
DEEP CREEK	-0-
BURNING STORE	-0-
ZEPHYR	48,036

ASPLAD 94

LEHIGH	-0-
DELTONA	-0-
HOLIDAY	-0-
UNIVERSITY	< 2,000 >
W. ROCK	-0-
AMERICA	-0-
CITRUS SPR.	-0-
DEEP CR.	-0-

ASRAD 95

DELTONA	-0-
SUGARMILL	-0-
AMERICA	-0-
LEHIGH	273,281
MARION OAKS	-0-
BEACH H	-0-
DEEP CREEK	5,624
VALENCIA	213
SPRING GLEN	222

Misc. Other $\frac{18-1}{2}$ $\frac{18-1}{2}$
 < 12,719 > # 260,562 SEE DISCOUNT 2 $\frac{18-1}{2}$ # $\frac{18-1}{2}$

ASRAD 96

Orange Co. Utility	992,827
LEACH	-0-
UNIV. SHO	-0-
TOTAL	1,679,839

} SEE D#941151-WS 12/31/94

CONCLUSION

THE CURRENT MATERIALS SEWER LAND ADDITION REQUESTS ADDITION OF ORANGE COUNTY UTILITY TOTALS JUST ANNOUNCED VIA JUNE 1997 #941151-WS 12-31-94

Source: MFR SCHEDULE

PTY 1996

AUDIT EXCEPTION NO. 2

**SUBJECT: NONCOMPLIANCE WITH NARUC ACCOUNTING INSTRUCTION #24. F
UTILITY PLANT - LAND AND LAND RIGHTS**

FACTS: Rule 25-30.115 F.A.C. requires water and sewer utilities to maintain their books and records in conformity with the 1984 NARUC Uniform System of accounts (US of A) adopted by the National Association of Regulatory Utility Commissioners.

Southern States Utilities Inc. is a Class A Utility according to the NARUC definition found in Accounting Instruction 1.

The 1984 NARUC Class A Water Utility Accounting Instruction 24 Utility Plant - Land and Land Rights in Section F states in whole,

When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for future use, or account 121 - Non-utility Property, as appropriate.

17-1 (2)
1-1

The Southern States Collier family acquisition of land for a water source included a total of 212.5 acres. According to a survey for the Hanson Appraisal of the subject land commissioned by Gordon H. Harris, an attorney for Southern States Utilities, the acreage breakdown between Water Source Lakes, Wetlands and Uplands is as follows:

- | | | |
|----|----------|--------------------|
| | | 17-1 (3) |
| 1. | Lakes | 56.29 Acres |
| 2. | Wetlands | 71.28 Acres |
| 3. | Uplands | 84.93 Acres |
| | | 212.50 Total Acres |

Besides the April 1995 Hanson Appraisal, four other appraisals were presented to the audit staff. While the Florida Public Service Commission does not allow appraisals in place of original cost for rate base purposes, the use of appraisals for allocating the cost of "Lump Sum Purchases" is a generally accepted procedure. A summary of the five appraisals appears below.

17-1/5 } FAS-67 GAAP ON ALLOC LAND COST

1/5

Source: PSC Audit AS REF.

17-1

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

PTY 1996

DATE	APPRAISER	17-1 1 VALUE OF ENTIRE PARCEL	WATER SOURCE LAKES	VALUE OF ACQUIRED REAL ESTATE
Apr-95	Hanson Svcs.	$\frac{3}{6}$ \$3,606,500	140,725	3,296,416
Apr-95	Klusza Assoc.	$\frac{4}{6}$ 7,900,000	1,500,000	6,400,000
Jun-94	Carroll	$\frac{2}{6}$ 7,200,000	2,400,000	4,770,000
Jun-94	John Calhoun	$\frac{4}{6}$ 4,241,800	-0-	4,200,200
Oct-92	Calhoun Assoc.	$\frac{2}{6}$ 4,070,600	-0-	4,070,600

Southern States provided an invoice from Calhoun and Associates, Inc. dated November 24, 1992, for the above appraisal report for \$13,051. The invoice stated in whole,

17-1
2
①

Inspection of property, conferences with representative of Southern States Utilities, research for both commercial and residential land sales throughout Collier County, research land use issues, inspect all sales and verify all data, analysis of data, and preparation of appraisal report.

(Emphasis added)

17-1
2-1

The above appraisals were valued as if the subject property were zoned residential and commercial but in fact, the property is zoned agricultural. Each appraiser indicated that it saw no difficulty in having the zoning changed for development purposes. The appraisals stated that Collier Planning Board has the long term use for the subject property mapped out as residential.

Southern States is bringing th subject water source land addition into rate base in two portions. The first portion in 1994 with \$4,400,081 and the balance in 1995 with an addition to the land account of 4,799,919.

Marco Island Utilities
Plant in service
Land Addition

1994	$\frac{17-1}{3}$	$\frac{1}{2}$	\$4,400,081
1995		$\frac{2}{2}$	<u>4,799,919</u>
			\$9,200,000

2/6

Source: RSC Hunt AS REF.

17-1

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

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*12-1
A1 (2)*

OPINION: Based on the reading of the facts in above appraisals, it is clear that Southern States is acquiring more than just a water source with the Collier Condemnation. According to the NARUC Land account description at point 3. above, the final purchase price (condemnation settlement costs) should be allocated by an acceptable method to 1) the Collier Lakes water source acquisition and 2) the residential and commercial real estate investment.

Acceptable methods of allocation would include the generally accepted Lump Sum or basket purchase method of evaluating components of an acquisition. We might also look at the NARUC accounting instruction itself which mentions, ".....less the fair market value of that portion of the land which is not to be used...." in which "portion" appears to be talking about acreage.

For purposes of this exception, we will calculate the allocation using both the acreage method and the lump sum purchase method.

Using the Hanson acreage listed above, the percentage condemnation cost allocated to water source "LAKES" would be calculated as follows. The condemnation costs allocated to upland residential and commercial real estate remains.

	$\frac{12-1}{1}(\frac{2}{2})$ Acres	$\frac{12-1}{4}(\frac{A}{2})$ Percent	Allocated Purchase Price	Corrected Charge
Lakes	56.29	39.9%	\$3,670,800	UPIS-Water
Uplands	<u>84.93</u>	<u>60.1%</u>	<u>5,529,200</u>	Upland Real Estate
Total	141.22	100.0%	\$9,200,000	Total cost of condemnation

Of the above four appraisals, the Hanson appraisal was the most detailed and contained facts concerning the acreage for the lake, the wetlands and the uplands including an allocation of the access easement.

Alternatively, the "lump sum purchase" method of allocating asset costs based on relative estimated fair market value yields the following allocation of the condemnation costs. In this case, the two Calhoun appraisals did not identify any costs associated with the water source lakes. Using the other three appraisals to allocate the \$9,200,000 condemnation costs between the water source and the real estate portions, the following calculation follows accepted accounting methodology for allocating "lump sum purchase" costs.

3/5

Source: RSC Hunt AS REF.

17-1

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

DATE	APPRAISER	PARCEL	REAL ESTATE	PERCENT
Apr-95	Hanson Svcs.	$\frac{3}{6}$ \$3,606,454	3,296,416	$\frac{17-1}{4}$ (B) 91.4%
Apr-95	Klusza Assoc.	$\frac{4}{6}$ 7,900,000	6,400,000	81.0%
Jun-94	Carroll	$\frac{2}{6}$ 7,200,000	4,770,000	66.3%
REAL ESTATE AVERAGE %				79.6% (A)

ALLOCATION OF THE COLLIER CONDEMNATION COST USING THE LUMP SUM PURCHASE METHOD.

	Percent	Allocated Purchase Price	Correct Charge
Other*	20.4%	\$1,876,800	UPIS-Water Land
Uplands	79.6% (A)	7,323,200	Upland Real Estate
Total	100.0%	\$9,200,000	Total cost of condemnation.

* Other includes water source lakes and wetlands

NONUTILITY PROPERTY CLASSIFICATION

The real estate portion of the above allocations should be charged to Account 121 Nonutility Property as opposed to Account 103 Plant Held for Future Use. This statement is made for two logical reasons. First, in none of the engineering studies or Marco Island Planning documents reviewed during this docket's field work, including the January 1995 Draft Planning Document for Marco Island prepared by the Planning and Engineering Department of Southern States Utilities, Inc. was there any mention of additional water extraction from the Collier Lakes property. Secondly, all of the appraisals indicate the highest use of this land would be for residential and commercial development.

RECOMMENDATION: The Commission should reduce the cost of the condemnation of the Collier Property charged to Water Source Land Account 303 by the value of the real estate acquired. The cost allocated to Real Estate should be determined by either the direct acreage method or the lump sum purchase method. These allocation methods yield reductions of \$5,529,200 or \$7,323,200 from the Marco Island Water land account, respectively.

see page 111

$\frac{4}{5}$

Source: RSC Audit AS REF.

17-1

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These Real Estate Investment costs should be charged to Account Number 121 Nonutility Property.

COMPANY COMMENTS: Company may respond at a later date.

S/S

Source: PSC AUNT AS REF.

17-1

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D#950495-WS

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PTY 1996

APPRAISAL
FOR
BARRON COLLIER COMPANY

VALUATION DATE

JUNE 23, 1994

AT THE REQUEST OF

WILLIAM G. EARLE, ESQUIRE
EARLE & PATCHEN
1000 BRICKELL AVENUE
SUITE 1112
MIAMI, FLORIDA 33131



PREPARED BY

CARROLL & CARROLL
REAL ESTATE APPRAISERS
2500 AIRPORT ROAD SOUTH, SUITE 206
NAPLES, FL 33962
(813) 775-1147

#1974-E

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Source: PBC

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PTY 1996

ESTIMATE OF VALUE - PART TAKEN

It is my opinion that the value of the part taken as of the date of value is:

Useable 180 AC x 26,500 =	\$4,770,000	Rounded	\$4,770,000
Water			\$2,400,000
Wetlands 32.7 AC x 1,000 =	\$ 32,700	Rounded	\$ 30,000
Total			\$7,200,000



2/6

Source: PBC

17-1
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PTY 1996

**HIGHEST AND BEST USE - AFTER THE TAKING
(CONT'D)**

In addition to a reduced density, the property will no longer have a lake resource or commercial frontage. This will produce a type of development which will be inferior to that that would have been allowed before the taking. In addition, the highest and best use of the lake area as an interim water source will be lost.

VALUE OF PART TAKEN

The area of the part taken is 212.67 acres. This area has a land use designation of Urban Residential and a portion is within the Activity Center area which allows a greater density. This is also the prime County Road 951 road frontage portion of the subject.

Planner Wiles has proposed various development scenarios which indicate that the area of the part taken before the taking could have supported from a minimum of 800 dwelling units to a maximum of 1,100 dwelling units. There is no way to precisely determine this amount before development plans are actually drawn and presented to the appropriate governmental agencies for approval. In this instance, we have accepted the lower end of Mr. Wiles' range and concluded that 800 dwelling units will be directly lost because of the taking.

In addition to the lost dwelling units, the property will lose the interim water source value of \$1,500,000. The value of the part taken is computed as follows:

800 units @ \$8,000/unit =	\$6,400,000
Plus Lost Income from Water Source -	<u>1,500,000</u>
Total -	\$7,900,000



Source: PBC

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SSU
D#950495-WS

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PTY 1996

Page 2

The undersigned hereby certifies that he has no past, present, or contemplated future interest in the property being valued. It is further certified that neither the employment to make the appraisal, nor the compensation therefore, is contingent on the values reported.

An inspection of the subject property has been made, and to the best of my knowledge and belief, the statements and opinions contained in this appraisal report are correct, subject to any further conditions specifically mentioned within the report.

The estimate of the compensation due the property owner, as of October 27, 1992, is:

Land	\$4,070,600
Improvements	-0-
Total	\$4,070,600

FOUR MILLION SEVENTY THOUSAND SIX HUNDRED DOLLARS (\$4,070,600.00)

Respectfully submitted,

John M. Calhoun

John M. Calhoun, President
State Certified General
Real Estate Appraiser
No. 0001330



3/6

Source: *PBC*

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PTY 1996

COMPENSATION

Land Taken

The taking contains some 212.50 acres, which includes 4.63 acres of an access easement. This leaves 207.87 acres taken in full fee simple. Of the lands being acquired under a full fee simple interest, it includes 3.41 acres of commercial lands and 204.46 acres of residential lands. The commercial lands have been valued at \$3.50 per square foot in the before situation, while the residential lands had been valued at \$18,000. Finally, the access easement is valued at 50 percent of \$18,000 per acre.

Potential Commercial:	148,539 SF (3.41 Ac.) @ \$3.50/SF	= Say \$ 519,900
Residential Lands:	204.46 Ac. @ \$18,000/Acre	= Say 3,680,300
Access Easement:	4.63 Ac. @ \$18,000 x 50%	= Say <u>41,600</u>
Total (Lands Taken)		\$4,241,800

Improvements Taken

None of value

Damages

The remainder lying immediately north of the take area and comprising a part of the triangle before the taking contains only 9.40 acres after the taking. This includes 3.60 acres of uplands and 5.80 acres of wetlands. The uplands will be isolated by the taking, since they are situated along the canal and separated from County Road 951 by wetlands. Before the taking, these uplands connected with uplands situated within the take area. Therefore, the triangle remainder has no practical use by itself. As such, it has been reduced in value from \$18,000 per acre before the taking to \$1,250 per acre after the taking, which reflects damages of \$16,750 per acre, as follows:

9.40 Ac. @ \$16,750/Acre = Say \$157,400

The larger remainder property lies to the east and north of the triangle, and contains some 1,692.35 acres. This includes 920.90 acres of uplands and 771.45 acres of wetlands. The appraiser has consulted with Hartman and Associates, as well as Mr. David DePew to ascertain the impact, if any, on the remainder lands. The issues studied have been varied, and it is found that the taking does not cause any adverse impact to the lands lying east and north of the triangle. Therefore, the only lands suffering any damages by reason of the taking are those located within the small triangle remainder.

Summary

Land Taken	\$4,241,800
Improvements Taken	-0-
Damages	<u>157,400</u>
Total	\$4,399,200

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Calhoun and Associates, Inc.

PBC

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Source: PBC

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PTY 1996

ACCOUNTING INSTRUCTIONS

shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 407.1 - Amortization of Limited Term Plant. However, if the service life is not terminated by action of the lease, but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

B. If improvements made to property leased for a period of more than one year are of relatively minor cost, or if the lease is for a period of not more than one year, the cost of the improvements shall be charged to the account in which the rent is included either directly or by amortization thereof.

24. Utility Plant - Land and Land Rights

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interests in land. Do not include in the accounts for land, land rights, and rights of way costs incurred in connection with first clearing and grading of land and rights of way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

B. Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest account. If any part of the cost of public improvements is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

C. Separate entries shall be made for the acquisition, transfer or retirement of each parcel of land, and each land right (except rights of way for distribution lines), or water rights, having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of

25.

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Source: NARUC

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PTY 1996

ACCOUNTING INSTRUCTIONS

recording of deed, and book and page of record. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition.

D. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless a reserve therefore has been authorized and provided or, unless otherwise authorized or required by the Commission. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

E. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of any interest in land, such interest extends to buildings or other improvements (other than public improvements), which are then devoted to water operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

F. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

G. Provision shall be made for amortizing amounts carried in the accounts for limited term interests in land so as to apportion equitably the cost of each interest over the life thereof (See account 110.1 - Accumulated Amortization of Utility Plant in Service, and account 407.1 - Amortization of Limited Term Plant).

25. Utility Plant - Structures and Improvements

A. The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom

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PTY 1996

CA Calhoun and Associates, Inc.

Real Estate Appraisers & Consultants • Realtors

The Koger Center
999 Woodcock Road, Suite 106
Orlando, FL 32803
(407) 898-4698

2270 Drew Street, Suite C
Clearwater, FL 34625
Fax: (813) 726-8918
(813) 797-7600

150 S.E. 12th Street (Davie Blvd.)
Suite 100
Ft. Lauderdale, FL 33316
(305) 832-0043

PLEASE REPLY TO: Clearwater

November 24, 1992

PBC

Ms. Karen Olson Teasley
Southern States Utilities, Inc.
Vice President of Legal Counsel
1000 Color Place
Apopka, Florida 32703

Re: Property: 212.70 Acres
County : Collier
Owners : Marguerite R. Collier,
Lamar Gable and Harold
S. Lynton, et al

INVOICE

Inspection of property, conferences with representative of Southern States Utilities, research for both commercial and residential land sales throughout Collier County, research land use issues, inspect all sales and verify all data, analysis of data, and preparation of appraisal report.

} 19-1(5)B

J Calhoun : 20.5 Hours @ \$135.00/Hr. =	\$ 2,767
C. Mafera : 112.5 Hours @ \$ 85.00/Hr. =	9,562
Subtotal (Services)	12,329
Expenses (See Attached)	722

Total Invoice Amount \$ 13,051

To # 27(A)

Thank you,

John M. Calhoun
John M. Calhoun
President

*Payment Approved
Karen Olson Teasley
V.P. of Counsel*

JMC/dc
cc: S. Harris

DEC 31 1992

2601.590.99.1862.0011.15

Source: PBC

17.1
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PTY 1996

Zoning and Land Use Designations

The subject property is zoned A (Rural Agricultural District) by Collier County. In addition, the property has provisional use approval for excavation. The purpose and intent of this zoning district is to provide lands for agricultural, pastoral, and rural land uses by accommodating traditional agricultural, agricultural related activities and facilities, support facilities related to agricultural needs, and conservation uses.

The permitted uses within this zoning district include single family dwelling, agricultural activities, wildlife management, wholesale plant nurseries, and oil and gas explorations subject to state permits and Collier County site development plan review procedures. Some of the following uses are permitted as conditional uses in the Rural Agricultural District. These uses include extraction or earth mining, saw mills, cemeteries, churches, communication towers, golf courses, sporting and recreational camps, and schools.

The minimum lot area is five acres and the minimum lot width is one hundred and sixty-five feet (165). The maximum density is one dwelling unit per each five acres, which is the same as the minimum lot area.

The Land Use Plan by Collier County designates the property as Urban Residential and Activity Center. The lands designated Urban Residential contain 208.5 acres and the lands designated Activity Center contain 4.2 acres. The lands located within the Activity Center are located in the apex of the southwest corner of the property. The Urban Residential district is intended to provide for higher densities and in an area with relatively few natural resource constraints and where existing and planned public facilities are concentrated. This designation has a base density of four units per acre that is adjusted on a density rating system that can add or subtract allowable units dependent upon certain criteria. The subject property is located within a traffic congestion zone which decreases the attainable density by one unit per acre.

The Activity Center subdistrict is designed to concentrate almost all new commercial zoning and locations where traffic impacts can readily be accommodated, to avoid strip and disorganized patterns of commercial development and to create focal points within the community. A portion of the subject property is located within a mixed-use activity center, which is anticipated to have a variety of uses that shall be determined during the re-zoning process.

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The subject site contains 212.7 acres and is triangular in shape. The property has the physical size that could accommodate a residential type use. The subject is considered to have the physical size and characteristics that would be suitable for such a development. The southwest portion of the property, which is located in the Activity Center is physically suitable for an intense type development. The northeast portion of the lands within the Activity Center are located within the south area.

As previously discussed, the subject property is zoned A (Rural Agricultural District) with a provisional use for excavation. It would be necessary to re-zone the property for both residential and commercial uses. Under this zoning classification the maximum density is one unit per five acres, which is an under utilization of the property. It is anticipated the residential lands would be re-zoned to allow for a more intense development. In addition, the lands within the activity center would also require a re-zoning to allow a commercial development. In analyzing the highest and best use, a potential development must be financially feasible and maximally productive. The residential lands are considered to be well suited to a residential type use. In addition, the southwest portion of the property is considered to be oriented towards a commercial use that would be consistent with its Land Use Plan Designation.

In conclusion, the highest and best use for the total property is for residential and commercial uses. The majority of the property is suitable for residential development and a small portion is expected to be developed with compatible commercial uses. This combination of uses is considered to be financially feasible and a maximally productive use of the property and will occur when the economic outlook is more optimistic and demand increases.

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Survey of PBC

THE WALTER LATHAM COMPANY 1708 245 8787

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PTY 1996

VALUATION - INTERIM USE AS A WATER SOURCE

The subject property includes a 53-acre lake system which is currently being used in conjunction with the infiltration galleries on the property as a major water source for Marco Island. This water source has been under lease for 30 years. This lease was set to expire on December 31, 1994. The lease has not been adjusted to market rates and, therefore, is not indicative of economic rent. Were it not for the taking, we have projected that the lease would have been extended on a short-term basis. We projected that this term would have been approximately 5 years or until development approvals and permits were obtained and the southern portion of the parent tract was ready for development.

In order to calculate the interim value as a water source, we first estimated the gross income from the water sales. The gross income from the water sales is calculated by multiplying the projected annual gallonage times the market rate of water. The projected annual gallonage was based upon historical gallons pumped. An analysis was prepared comparing the volume permitted versus the actual volume extracted. An analysis prepared by engineer Gerry Ward was also considered. Based upon all the data we analyzed, we projected that annual gallonage would be 1,800,000,000 gallons per year.

The next step in determining the gross income from the water sales is to determine the current price paid for water. We located several other water sources throughout the state of Florida, and conducted a study to determine the current price being paid for water. We also studied and researched the rates proposed by the city of Naples to provide water to Marco Island. Based upon this study, we assumed that the market rate of water would be \$0.25 per 1,000 gallons. Multiplying the projected annual gallonage times the market rent results in an annual gross income from the water of \$450,000.

We then determined the expenses to the property. The property taxes at the date of value were approximately \$41,500. Other expenses considered include insurance, management, etc. We estimated a total expense allowance of 10%, or \$45,000. Subtracting this from the gross income results in a net annual income of \$405,000.

The water source is considered a short-term interim use of the property. It is projected to continue only to the point where all the development approvals are obtained and the property is ready for development. Leases are typically renewed for a period of 5 to 10

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Source: PBC

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PTY 1996

SCHEDULE OF WATER PLANT IN SERVICE BY PRIMARY ACCOUNT - 1994
TEST YEAR AVERAGE BALANCE / SUMMARY

Company: SSU / Collier / Marco Island
Docket No.: 950495-WS
Schedule Year End: 12/31/94
Interest: Final
Nature: [] Projected []
Scope: [] 12 Month []
PPSC Uniform: [] Non-PPSC []

Explanation: Provide the beginning, ending and average balances of PIS by account for the prior year and the test year

PPSC
Schedule: A-5 (W)
Page 1 of 7
Prepared: Kimbal
Recap schedule: A-1 (W), A-4 (W)

PPC

Line No.	(1) Account No. and Name	(2) 1994 PLANT IN SERVICE				(7) Utility Adjustments	(8) Adjusted Balance 12/31/94	(9) 1994 AVERAGE BALANCE		
		Balance Per Books 12/31/93	Net Additions 12/31/93 - 12/31/94		Balance Per Books 12/31/94			Balance Per Books	Utility Adjustments	Adjusted Utility Balance
		Gross	Retirements	Net						
INTANGIBLE PLANT										
1	301.1 Organization	0	0	0	0	0	0	0	0	0
2	302.1 Franchises	3,759	0	0	3,759	0	3,759	3,759	0	3,759
3	309.1 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	0
SOURCE OF SUPPLY & PUMPING										
4	303.2 Land & Land Rights	350,096	4,400,081	4,400,081	4,750,179	0	4,750,179	2,550,199	0	2,550,199
5	304.2 Structures & Improvements	759,378	6,850	6,850	763,028	0	763,028	759,703	0	759,703
6	305.2 Collecting & Impounding Reservoirs	176,257	0	176,257	186,257	0	186,257	186,257	0	186,257
7	306.2 Lake, River & Other Intakes	0	0	0	0	0	0	0	0	0
8	307.2 Wells & Springs	629,834	5,268	5,268	626,122	0	626,122	623,478	0	623,478
9	308.2 Intake Station & Tunnels	264,911	0	0	264,911	0	264,911	264,911	0	264,911
10	309.2 Supply Mains	5,724,663	26,037	26,037	5,750,700	0	5,750,700	5,737,562	0	5,737,562
11	310.2 Power Generation Equipment	289,577	6,759	6,759	296,336	0	296,336	292,856	0	292,856
12	311.2 Pumping Equipment	3,731,214	74,551	74,551	3,805,765	0	3,805,765	3,766,906	0	3,766,906
13	319.2 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	0
WATER TREATMENT PLANT										
14	303.3 Land & Land Rights	0	0	0	0	0	0	0	0	0
15	304.3 Structures & Improvements	3,188,520	46,635	46,635	3,237,155	0	3,237,155	3,212,838	0	3,212,838
16	320.3 Water Treatment Equipment	10,006,488	1,865,641	1,865,641	11,875,329	0	11,875,329	10,842,406	0	10,842,406
17	321.3 Permeators	1,516,170	13,917	13,917	1,530,087	0	1,530,087	1,523,126	0	1,523,126
18	339.3 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	0
TRANSMISSION & DISTRIBUTION										
19	303.4 Land & Land Rights	0	0	0	0	0	0	0	0	0
20	304.4 Structures & Improvements	0	0	0	0	0	0	0	0	0
21	330.4 Distribution Reservoirs	1,609,482	267,215	267,215	1,806,697	0	1,806,697	1,773,089	0	1,773,089
22	331.4 Transmission & Distribution	3,657,716	11,550	11,550	3,669,266	0	3,669,266	3,663,491	0	3,663,491
23	333.4 Services	1,494,822	306,873	306,873	1,801,795	0	1,801,795	1,848,356	0	1,848,356
24	334.4 Meters & Meter Installation	853,167	303,210	303,210	1,256,377	0	1,256,377	1,104,772	0	1,104,772
25	335.4 Hydrants	168,778	2,729	2,729	171,507	0	171,507	170,142	0	170,142
26	339.4 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	0
GENERAL PLANT										
27	303.5 Land & Land Rights	18,447	0	0	18,447	0	18,447	18,447	0	18,447
28	304.5 Structures & Improvements	151,611	13,037	(1,683)	124,849	0	124,849	158,036	0	158,036
29	340.5 Office Furniture & Equipment	88,500	11,982	(1,422)	118,441	0	118,441	94,421	0	94,421
30	340.51 Computer Equipment	157,541	82,116	(2,448)	89,666	0	247,209	202,375	0	202,375
31	341.5 Transportation Equipment	139,704	32,506	(21,786)	10,717	0	180,422	145,063	0	145,063
32	342.5 Stores Equipment	1,002	631	0	631	0	1,633	1,318	0	1,318
33	343.5 Tools, Shop & Garage Equipment	43,421	12,910	0	12,910	0	56,221	49,826	0	49,826
34	344.5 Laboratory Equipment	6,872	9,990	0	9,990	0	15,962	11,417	0	11,417
35	345.5 Power Operated Equipment	45,744	11,278	(1,274)	10,004	0	55,749	50,746	0	50,746
36	346.5 Communication Equipment	17,801	7,641	(78)	7,562	0	25,364	21,563	0	21,563
37	347.5 Miscellaneous Equipment	7,364	6,044	0	6,044	0	13,408	10,346	0	10,346
38	348.5 Other Tangible Plant	372	0	0	372	0	372	372	0	372
TOTAL PLANT IN SERVICE										
44	INTANGIBLE PLANT	3,759	0	0	3,759	0	3,759	3,759	0	3,759
45	SUPPLY & PUMPING	11,823,952	4,519,368	4,519,368	16,441,316	0	16,441,316	14,183,635	0	14,183,635
46	WATER TREATMENT PLANT	14,714,178	1,928,340	1,928,340	16,642,517	0	16,642,517	15,878,374	0	15,878,374
47	TRANSMISSION & DISTRIBUTION	7,914,965	891,576	891,576	8,805,641	0	8,805,641	8,259,852	0	8,259,852
48	GENERAL PLANT	676,380	197,134	(25,917)	449,596	0	449,596	763,990	0	763,990
49	TOTAL PLANT IN SERVICE	35,234,334	7,536,468	(25,917)	42,744,885	0	42,744,885	35,969,610	0	35,969,610
LAND & LAND RIGHTS										
50	LAND & LAND RIGHTS	389,545	4,400,081	0	4,400,081	0	4,764,626	2,566,567	0	2,566,567
51	TOTAL PIS LESS LAND	34,865,789	3,136,387	(25,917)	3,110,470	0	37,976,259	36,421,024	0	36,421,024

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SOURCE: MFR

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PTY 1996

SCHEDULE OF WATER PLANT IN SERVICE BY PRIMARY ACCOUNT - 1995
TEST YEAR AVERAGE BALANCE / SUMMARY

Company: SSU / Collier / Marco Island
Docket No.: 950495-WS
Schedule Year Ended: 12/31/95
Interim [] Final []
Historical [] Projected []
Single Ave. [] 13 Month Ave. []
PPSC Uniform [] PPSC Non-uniform [] Non PPSC []

Explanation: Provide the beginning, ending and average balances of P&B by account for the two prior year and the test year

PPSC
Schedule 4-4 (B)
Page 1 of 7
Preparer Contact
Please schedule 4



Line No.	Account No. and Name	1995 PLANT IN SERVICE						1995 AVERAGE BALANCE		
		Balance Per Books 12/31/94	Net Additions 12/31/94 - 12/31/95			Balance Per Books 12/31/95	Liability Adjustments	Adjusted Balance 12/31/95	Balance Per Books	Liability Adjustments
			Gross	Reserve	Net					
1	INTANGIBLE PLANT									
2	301.1 Organization	0	0	0	0	0	0	0	0	
3	302.1 Franchises	3,750	0	0	3,750	0	3,750	3,750	0	
4	308.1 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	
5	SUPPLY & PUMPING									
6	303.2 Land & Land Rights	4,750,179	4,799,919	0	4,799,919	8,862,080	0	8,660,099	7,150,130	
7	304.2 Structures & Improvements	763,026	0	0	763,026	763,026	0	763,026	763,026	
8	306.2 Collecting & Impounding reservoir	186,257	0	0	186,257	186,257	0	186,257	186,257	
9	306.2 Lake, River & Other Intakes	0	0	0	0	0	0	0	0	
10	307.2 Wells & Springs	625,122	40,064	(53,153)	(13,029)	915,053	0	915,053	618,560	
11	308.3 Intake Galleries & Tunnels	264,911	0	0	264,911	264,911	0	264,911	264,911	
12	309.2 Supply Mains	5,750,700	0	(80,782)	(80,782)	5,669,918	0	5,669,918	5,720,319	
13	310.2 Power Generation Equipment	296,335	0	0	296,335	296,335	0	296,335	296,335	
14	311.2 Pumping Equipment	3,805,785	18,667	(78,703)	(60,036)	3,745,749	0	3,745,749	3,778,767	
15	338.2 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	
16	WATER TREATMENT PLANT									
17	303.3 Land & Land Rights	0	0	0	0	0	0	0	0	
18	304.3 Structures & Improvements	3,237,155	0	0	3,237,155	3,237,155	0	3,237,155	3,237,155	
19	320.3 Water Treatment Equipment	11,975,529	552,289	(48,350)	503,939	12,378,268	0	12,378,268	12,128,798	
20	321.3 Pymenets	1,530,587	0	0	1,530,587	1,530,587	0	1,530,587	1,530,587	
21	338.3 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	
22	TRANSMISSION & DISTRIBUTION									
23	303.4 Land & Land Rights	0	0	0	0	0	0	0	0	
24	304.4 Structures & Improvements	0	0	0	0	0	0	0	0	
25	330.4 Distribution Network	1,906,697	0	0	1,906,697	1,906,697	0	1,906,697	1,906,697	
26	331.4 Transmission & Distribution	3,669,266	18,429	(7,582)	11,847	3,681,114	0	3,681,114	3,678,190	
27	332.4 Services	1,801,795	27,332	0	27,332	1,829,126	0	1,829,126	1,815,460	
29	334.4 Meters & Meter Installation	1,256,377	29,268	0	29,268	1,285,645	0	1,285,645	1,271,011	
30	335.4 Hydrants	171,507	1,071	0	1,071	172,578	0	172,578	172,642	
33	338.4 Other Plant & Miscellaneous	0	0	0	0	0	0	0	0	
34	GENERAL PLANT									
35	303.5 Land & Land Rights	16,295	0	0	16,295	16,295	0	16,295	16,295	
36	304.5 Structures & Improvements	163,104	18,780	(23)	18,556	182,850	0	182,850	172,822	
37	340.5 Office Furniture & Equipment	99,514	14,274	0	14,274	113,788	0	113,788	106,651	
38	340.51 Computer Equipment	245,171	29,414	0	29,414	274,585	0	274,585	258,378	
39	341.5 Transportation Equipment	148,182	18,414	(8,103)	10,311	168,493	0	168,493	154,337	
40	342.5 Storage Equipment	1,820	41	0	41	1,861	0	1,861	1,643	
41	343.5 Tools, Shop & Garage Equipment	55,767	5,560	(23)	5,537	61,324	0	61,324	56,548	
42	344.5 Laboratory Equipment	15,830	39,138	0	39,138	54,970	0	54,970	35,400	
43	345.5 Power Operated Equipment	55,288	1,818	(47)	1,772	57,061	0	57,061	56,175	
44	346.5 Communication Equipment	25,155	7,936	0	7,936	33,091	0	33,091	29,123	
45	347.5 Miscellaneous Equipment	13,297	903	(224)	679	13,975	0	13,975	13,636	
43	348.5 Other Tangible Plant	388	20,915	0	20,915	21,284	0	21,284	19,626	
44	INTANGIBLE PLANT	3,750	0	0	3,750	3,750	0	3,750	3,750	
45	SUPPLY & PUMPING	18,443,316	4,856,970	(190,618)	4,666,352	21,108,370	0	21,108,370	18,776,345	
46	WATER TREATMENT PLANT	18,842,571	552,289	(48,350)	503,939	19,145,510	0	17,145,510	18,894,040	
47	TRANSMISSION & DISTRIBUTION	8,805,941	77,100	(7,582)	69,518	8,878,159	0	8,878,159	8,940,400	
48	GENERAL PLANT	842,582	156,224	(8,831)	147,393	989,185	0	989,185	915,962	
49	TOTAL PLANT IN SERVICE	42,737,661	5,842,263	(257,181)	5,585,102	48,122,963	0	48,122,963	45,430,433	
50	LAND & LAND RIGHTS	4,758,474	4,799,919	0	4,799,919	8,558,383	0	8,558,383	7,168,434	
51	TOTAL P&B LESS LAND	37,969,407	842,364	(257,181)	585,184	39,564,580	0	39,564,580	38,261,999	

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SOURCE: MFR

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PTY 1996

LOTUS FILE: CALC

17-1 (3/5) CALCULATIONS AND ALLOCATIONS OF LUMP SUM COSTS # 17-1 CALCULATIONS

HANSON ACREAGES	ACRES	PERCENT	ALLOCATED	CORRECTED
(A) LAKES	56.29	39.9%	3,670,800	UPIS-Water
UPLANDS	84.93	60.1%	5,529,200	Real Estate
TOTAL	141.22	100.0%	\$9,200,000	Condemnation

17-1 (4/5)

DATE	APPRAISER	PARCEL	REAL ESTATE	PERCENT
APT-95	HANSON SERVICES	\$3,606,454	\$3,296,416	91.4%
APR-95	KLUSZA ASSOC. (B)	7,900,000	6,400,000	81.0%
JUN-94	CARROL	7,200,000	4,770,000	66.3%
AVERAGE				79.6%

17-1 (4/5)

	PERCENT	ALLOC PURCHASE PRICE
(C) WETLANDS/LAKES	20.4%	\$1,876,800 UPIS-Water
UPLANDS	79.6%	7,319,088 Real Estate
	100.0%	\$9,200,000 Condemnation

Source: As Recd

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PTY 1996

Real Estate Costs and Initial Rental Operations

ment of the real property. For example, revenue received from billboard advertisements placed on the property or miscellaneous concession income would be classified as incidental operations.

If the incremental revenue received from incidental operations exceeds the related incremental costs, the difference is accounted for as a reduction of the capitalized costs of the real estate project. Thus, when incidental operations of a real estate project result in a profit, the capitalized costs of the project are reduced by the amount of profit. Under FAS-67, however, the same does not hold true if the incidental operations result in a loss: if the incremental costs of incidental operations exceed the related incremental revenue, the difference is charged to expense when incurred (FAS-67, par 10).

Allocation of Capitalized Costs

All capitalized costs of a real estate project are allocated to the individual components within the project. If practicable, FAS-67 requires that capitalized costs be allocated by the specific identification method. Under this method, capitalized costs are identified specifically with the individual components within the real estate project. However, if it is impractical to use the specific identification method to allocate capitalized costs, FAS-67 requires that allocation be made, as follows (FAS-67, par 11):

Land costs Only capitalized costs associated with the land prior to any construction are allocated as land costs. Land costs prior to any construction include capitalized land costs and other preconstruction common costs related to the land, including preconstruction common costs of amenities.

Total capitalized land costs are allocated based on the relative fair value of each land parcel prior to any construction. A land parcel may be identified as a lot, an acre, acreage, a unit, or a tract.

Construction costs Capitalized construction costs are allocated based on the relative sales value of each individual structure or unit located on a parcel of land. In the event capitalized costs of a real estate project cannot be allocated by the specific identification method or the relative sales value method, the capitalized cost shall be allocated on area methods or other methods appropriate under the circumstances.

GAAP GUIDE / 61.09

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A comprehensive restatement
of current promulgated

**GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES**

JAN R. WILLIAMS, Ph.D., CPA

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SAN DIEGO NEW YORK LONDON

Source: MILLER GAAP GUIDE 1995

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SSU
D#950495-WS

Summary of Cap. Costs
Doc RFR 4 : 4A
PTY 1996

PLANT: 2601 Marco Island - 1994-1995 SUMMARY		Southern States Utilities, Inc. Collier Property Condemnation		PREPARED BY DATE:		CMP 21-Jul-95	
PROJECT: 94CS056				Collier Pile Property Acquisition	TOTAL WITH ALLOCATIONS		
CEC	TOTAL PROJECT COSTS BY CLASSIFIED	1,436,845.12		1,436,845.12		10,170,756.01	
	TOTAL CWIP DIRECT COSTS	1,436,845.12					
263	CONTRACT COSTS	0.00					
150	CONTRACTUAL SERVICES	73,283.07					
157	LEGAL FEES	144,217.32					
190/202	TRAVEL COSTS & FOOD	79.87					
270	MATERIALS - CONSTRUCTION	1,052,690.68			8,436,845.12	8,436,845.12	
275	OUTSIDE ENGINEERING COSTS	166,974.12					
	TOTAL CLEARING	1,023,010.99					
	LABOR COSTS	0.00	0.00				
150	CONTRACTUAL SERVICES	0.00	5,035.72			5,035.72	5,035.72
157	LEGAL FEES	0.00					0.00
270	MATERIALS - CONSTRUCTION	0.00					0.00
271	PERMIT COSTS	0.00					0.00
275	OUTSIDE ENGINEERING COSTS	0.00					0.00
280	ENGINEERING OVERHEAD COSTS	0.00		31,445.40		31,445.40	31,445.40
285	ADMINISTRATIVE & GENERAL OVERHEAD COSTS	0.00		1,646,929.77		1,646,929.77	1,646,929.77
290	APUDC	0.00					0.00
	TOTAL OTHER COSTS	0.00					0.00
	TOTAL PROJECT COSTS BY CLASSIFIED INCLUDING ALLOCATIONS	1,436,845.12		5,035.72	1,678,375.17		10,170,756.01

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SUMMARY OF CHG. COSTS
Doc REQ 4:4A
PTY 1996

PLANT: 2401 Marco Island - 1995

Southern States Utilities, Inc.
Collier Property Condominium

PREPARED BY: C1
DATE: 21-Jan

PROJECT: 94CS056

DATE	INV #	TRANSACTION DESCRIPTION	VENDOR	RESP	ACCT	CEC	CWIP	CLEARING ACCOUNTS				Collier Pks Property Acquisition	TOTAL WITH ALLOCATIONS
								GEN'L & IND	LABOR	OH	AFUDC		
ASSET DESCRIPTION													
5/11/95	12293	Prof Serv-Collier Property Acquisition	Morris-Dupuy	991	1050.0000	150	4,018.05					4,018.05	4,617.43
4/25/95	12268	Prof Serv-Collier Property Acquisition	Morris-Dupuy	991	1050.0000	275	8,824.22					8,824.22	10,140.54
1/19/95	12119	Prof Serv-Collier Property Acquisition	Morris-Dupuy	991	1050.0000	275	200.00					200.00	229.83
9/28/94	11920	Prof Serv-Collier Property Acquisition	Morris-Dupuy	999	1050.0000	275	647.50					647.50	764.09
10/24/94	11983	Prof Serv-Collier Property Acquisition	Morris-Dupuy	999	1050.0000	275	1,500.00					1,500.00	1,723.76
11/14/94	12034	Prof Serv-Collier Property Acquisition	Morris-Dupuy	999	1050.0000	275	2,700.00					2,700.00	3,102.76
12/21/94	12064	Prof Serv-Collier Property Acquisition	Morris-Dupuy	999	1050.0000	275	2,100.00					2,100.00	2,413.26
1/11/94	9402500	Collier Pks Property Acquisition	Hastema & Assoc.	999	1050.0000	275	14,230.08					14,230.08	16,352.00
12/9/94	9402500	Collier Pks Property Acquisition	Hastema & Assoc.	991	1050.0000	275	9,041.25					9,041.25	10,389.95
3/3/95	9402500	Collier Pks Property Acquisition	Hastema & Assoc.	991	1050.0000	275	662.99					662.99	761.89
3/3/95	9402500	Collier Pks Property Acquisition	Hastema & Assoc.	991	1050.0000	275	2,172.97					2,172.97	2,497.11
3/31/95	9402500	Collier Pks Property Acquisition	Hastema & Assoc.	991	1050.0000	275	14,828.30					14,828.30	17,040.26
12/31/94	9402500	Collier Pks Property Acquisition	Hastema & Assoc.	991	1050.0000	275	4,292.52					4,292.52	4,932.84
9/14/94	269333	Collier Water Lines	Oney, Harris & Robinson	999	1050.0000	275	6,729.67					6,729.67	7,733.54
10/12/94	272003	Collier Water Lines	Oney, Harris & Robinson	999	1050.0000	275	5,617.31					5,617.31	6,455.25
11/11/94	275802	Collier Water Lines	Oney, Harris & Robinson	999	1050.0000	275	3,269.59					3,269.59	3,746.99
11/11/94	275807	Collier Water Lines	Oney, Harris & Robinson	999	1050.0000	275	144.00					144.00	165.48
2/23/95	287516	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	275	3,894.41					3,894.41	3,478.37
3/14/95	290121	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	2,318.93					2,318.93	8,295.79
1/17/95	283211	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	4,965.72					4,965.72	8,004.81
1/17/95	283206	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	56.78					56.78	65.25
4/25/95	294303	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	4,939.79					4,939.79	5,676.66
6/16/95	300623	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	75.00					75.00	86.19
6/16/95	300624	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	15.00					15.00	17.34
6/16/95	300621	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	22,554.56					22,554.56	25,919.05
5/22/95	297781	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	60.00					60.00	68.90
4/24/95	294025	Collier Water Lines	Oney, Harris & Robinson	991	1050.0000	152	87,543.05					87,543.05	100,801.94
5/17/95		Collier County Condominium - Lunch Meeting	Edna Armstrong	991	1050.0000	195	13,097.07					13,097.07	15,050.78
4/6/95		Collier County Condominium - Meeting	Dorcas Henry	991	1050.0000	200	72.39					72.39	83.19
5/17/95		Collier Lakes Condominium	Mosimer & Associates	991	1050.0000	150	7.48					7.48	8.60
1995	May	Funds for Collier Prop. Borrow	Journal Entry	570	1050.0032	270	3,003.75					3,003.75	3,451.82
1995	Jan	Reversal - Year End Rptg Project	Journal Entry	570	1050.0000	265	1,929,400.00 (34,100.35)					1,929,400.00 (34,100.35)	4,515,553.79 (39,187.14)
1995	Apr-Jun	Labor Costs	Payroll	570	1050.0000	100		1,260.59					
1995	Jan	Engineering Overhead Costs	Allocation	591	1830.0000	280			(211.44)				
1995	Jan-Jun	Engineering Overhead Costs	Allocation	570	1050.0000	280			(4,616.27)				
1995	Jan-Jun	Engineering Overhead Costs	Allocation	591	1830.0000	280			10,008.50				
1995	Jan	Engineering Overhead Costs	Allocation	591	1050.0000	280			(1,405.70)				
1995	March	Engineering Overhead Costs	Allocation	999	1050.0000	280			4,616.14				
1995	Jan	Administrative & General Overhead Costs	Allocation	591	1830.0000	285			(322.23)				
1995	Jan-Jun	Administrative & General Overhead Costs	Allocation	570	1050.0000	285			(6,120.78)				
1995	May	Administrative & General Overhead Costs	Allocation	570	1050.0032	285			591,574.70				
1995	Jan-Jun	Administrative & General Overhead Costs	Allocation	591	1050.0000	285			15,250.70				
1995	Jan	Administrative & General Overhead Costs	Allocation	591	1050.0000	285			(2,148.38)				
1995	March	Administrative & General Overhead Costs	Allocation	999	1050.0000	285			7,035.00				
CEC		TOTAL PROJECT COSTS BY CLASSIFIED					4,124,903.01					4,124,903.01	4,740,220.24
		TOTAL CWIP DIRECT COSTS					4,124,903.01						
265		CONTRACT COSTS					(34,100.35)						
120		CONTRACTUAL SERVICES					7,021.80						
152		LEGAL FEES					147,525.88						
195/200		TRAVEL COSTS & FOOD					75.47						
270		MATERIALS - CONSTRUCTION					3,929,400.00					4,124,903.01	4,124,903.01
275		OUTSIDE ENGINEERING COSTS					79,975.81						
		TOTAL CLEARING					615,317.23						
100		LABOR COSTS					0.00					1,260.59	1,260.59
150		CONTRACTUAL SERVICES					0.00						0.00
152		LEGAL FEES					0.00						0.00
270		MATERIALS - CONSTRUCTION					0.00						0.00
271		PERMIT COSTS					0.00						0.00
272		OUTSIDE ENGINEERING COSTS					0.00						0.00
280		ENGINEERING OVERHEAD COSTS					0.00			8,987.63		8,987.63	
285		ADMINISTRATIVE & GENERAL OVERHEAD COSTS					0.00			605,069.01		605,069.01	
260		AFUDC					0.00					0.00	
		TOTAL OTHER COSTS					0.00					0.00	
		TOTAL PROJECT COSTS BY P11 ACCT INCLUDING ALLOCATIONS					4,124,903.01	1,260.59	614,056.64			4,740,220.24	4,740,220.24

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SOULS
NATIONAL COMPANY

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PTY 1996

AUDIT EXCEPTION NO. 3

SUBJECT: DEFERRED DEBITS FOR ACQUISITION OF WATER SOURCE LAND CONTAINED NONUTILITY CHARGES

FACTS: As stated in Exception No. 2, Southern States Utilities, Inc. is required to maintain its books and records in conformity with the 1984 Class A NARUC Uniform System of Accounts per Rule 25-30.115, Florida Administrative Code.

The Deferred Debits account ^{27 5/8 A} filed in the current SSU Rate Proceeding contains \$886,409 for the development and ultimate purchase of water source land known as the Dude Property.

The 1984 NARUC Class A Water Uniform System of Accounts Utility Plant - Land and Land Rights in Section F states in whole,

When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for future use, or account 121 - Non-utility Property, as appropriate.

In 1992 Southern States hired and paid Appraisal Research to do an appraisal of the mining potential of the Dude Property.

The value of the mining potential of the Dude Property with 100 acres used as a borrow pit was stated by Appraisal Research to be \$3,600,000.

Southern States provided an April 4, 1991, letter between two of its officers outlining its planned provision of raw irrigation water for Mass. Mutual Golf Course. The letter stated that, "Water supply for this project will come from the "Dude Project" (Southfield Farms)."

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<i>Journal</i>	<i>AS FULC</i>	<i>27-1</i>
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DPV 1004

OPINION: Out of the 160 acres of the Dude property, the appraisal states that 100 acres were available for the pit mining. Allocating the \$886,409 proposed as Dude property development costs based on acres devoted to mining vs. acres for a water source yields the following:

	$\frac{27-1}{3} \text{ (A)}$	ACRES	PERCENT
Mining acres		100	62.5%
Water source acres		60	37.5%
Total acres	$\frac{27-1}{3}$	160	100.0%
Total costs to be allocated are:			\$886,409
Mining percent			62.5%
Development costs allocated to mining			\$554,000
Balance allocated to water source			332,409
Total allocated			\$886,409

$\frac{27-1}{6} \text{ (B)}$

Doc Ref #54

Concerning the water source classification, documents obtained during SSU field work indicate that the water source at the Dude property was to be used for raw water sales to Massachusetts Mutual Golf Course. This golf course is out of SSU's certificated service area and the revenue would be nonutility income. According to a draft of an agreement between Collier County, Mass. Mutual Golf Course and Southern States (Tri-party agreement), Southern States was to provide raw irrigation water as an interim step towards eventually providing treated effluent for irrigation.

As mentioned in the Facts section, Southern States provided a letter between two of its officers Re: Raw Water Supply - Mass. Mutual Golf Course outlining and mapping its planned provision of raw irrigation water for Mass. Mutual Golf Course. See map from letter attached.

Expenditures made with the objective of earning nonutility income are nonutility in nature.

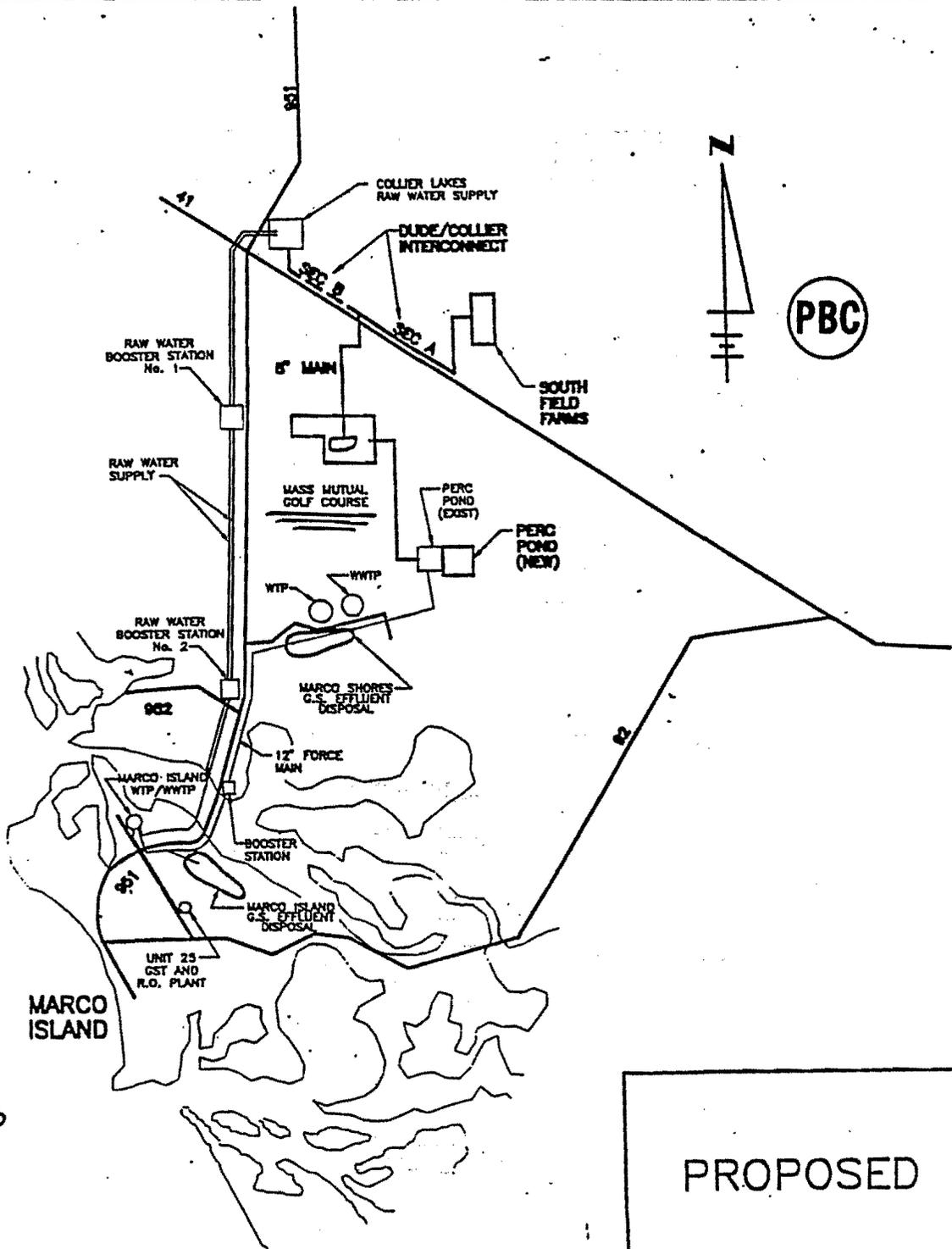
RECOMMENDATION: Reclassify the \$886,409 in deferred debits to account #426.13 Miscellaneous Nonutility Expenses - Preliminary survey and investigation expenses related to abandoned projects.

COMPANY COMMENTS: Company may respond at a later date.

Source	A3 FULICAT	27-1
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Dev
1995

PTY 1996



Source: A3 File 10/1/97

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ccw

PTY 1996

COM TO
ATTACH

APPROVED: *gl* ACCOUNTS PAYABLE VOUCHER

TYPE: _____ MANUAL CK # _____ CK DATE _____

VENDOR #: 497 VENDOR NAME: Appraisal Research

OR ONE TIME VENDOR:

ADDRESS: _____ CITY: _____ STATE: _____

ZIP _____ TELEPHONE # _____

INVOICE DATE: 8/18/92 INVOICE # 922436 INVOICE AMT: 950.00

DUE DATE: 10/6/92 DISCOUNT \$ _____ OR TERMS CODE: _____

MONTH/YEAR: 10/92 PURCHASE ORDER # 28475

DESCRIPTION: Appraisal-Sofield Farms Mining
ACCOUNT NUMBER PROJECT F/TASK AMOUNT
PLI.RESTR.UC.ACCT.SUBACCT.CEC

2601.590.01.1050.0000.150 91CS016 950.00

PBC *[Signature]*

Southern PIR

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Doc REQ #45 PARTION OF A

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PTY 1996

(2)

YEAR 4	—	@	\$.52/cy	=	\$ 331,690
YEAR 5	—	@	\$.55/cy	=	\$ 348,274
YEAR 6	—	@	\$.57/cy	=	\$ 365,688
YEAR 7	—	@	\$.60/cy	=	\$ 383,973
YEAR 8	—	@	\$.63/cy	=	\$ 403,171
YEAR 9	—	@	\$.66/cy	=	\$ 423,330
YEAR 10	—	@	\$.70/cy	=	\$ 444,496

TOTAL = \$ 3,603,896

II CURRENT (ADJUSTED) EXCAVATION PLAN YIELD

— ASSUMES SOUTHERN TRENCH (PARTIALLY EXISTING) TO BE FINALIZED; APPROX. 33,300 CY (CUT MEASURE) @ 15 FT DEPTH

— ASSUMES "CENTER" TRENCH (IN OLD BORROW PIT) TO BE EXCAVATED SECOND @ 100 FT WIDTH + NO SLOPING; APPROX. 101,759 CY @ 17.5 FT. DEPTH

∴ ABOVE TO BE EXCAVATED IN YEAR 1

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— BALANCE OF BORROW PIT AREA TO BE EXCAVATED OVER REMAINING 9 YEARS

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D#950495-WS

Doc REQ #45 PARTIAL
OF

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PTY 1996

(1)

DATE: AUG. 2, 1992

PROJECT: SOUTHFIELD FARMS LTD.

SUBJECT: REVIEW OF VOLUME YIELDS OF 2 OPTIONS
OF EXCAVATION; APPROX. OF DOLLAR VALUE

I.

ORIGINAL BORROW PIT YIELD
(NO RAW WATER WITHDRAWAL)

— ASSUMES 30 FT. DEPTH POSSIBLE

With/Out
Water Withdrawal
Checked with
County

- AREA @ NAT. GRND. = 6,125,000 S.F.
- AREA @ BREAK PT. = 5,889,704 S.F.
- AREA @ BOTTOM = 5,432,936 S.F.

VOLUME (CUT MEASURE) = 6,367,251 CY

30' w/ withdrawal
4,995,000 CY

∴ ASSUME 10 YEAR ACTIVITY
AVG. OF 636,725 CY ← CAN MARKET THIS YIELD!

Now 15' LIGHT MARL LAYER - N/A in 75%
2' 3,968,800 S.F. WADING BAND
20' DEPTH

ESTIMATED EXCAVATION VALUE (ROYALTY)

— BEGIN @ \$0.45/CY + INCREASE 30%
OVER 10 YR AT 5% INFLATION - 75%
PER YEAR

YEAR 1	— @ \$.45/CY	= \$ 286,526
YEAR 2	— @ \$.47/CY	= \$ 300,853
YEAR 3	— @ \$.50/CY	= \$ 315,895

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D#950495-WS

Doc REQ #45 PARTIAL
OF

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PTY 1996

LAW OFFICES OF
SCHRANK & BERNSTEIN
A PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS
OFFICE IN THE GROVE
SUITE 800B
2699 SOUTH BAYSHORE DRIVE
COCONUT GROVE, FLORIDA 33133

JOEL BERNSTEIN, P.A.
EDWARD A. SCHRANK, P.A.

August 10, 1992

AREA CODE 305
TELEPHONE: 856-0305
FAX: 854-3182

OF COUNSEL
JOSEPH TEICHMAN

Julian L. H. Stokes, MAI
APPRAISAL RESEARCH CORPORATION
2629 South Horseshoe Drive
Suite 2
Naples, FL 33942

RE: DELTONA/Deltona Utilities, Inc. - Southfield Farms Water
Purchase Agreement - Provisional Use Application with Collier
County, Florida
Our File No. 0742.00502

Dear Julian:

Enclosed herewith please find the following:

1. A current proposed Excavation Plan for the property showing the proposed Lake Area (without the trenches) and showing the Wading Bird Habitat management area to be maintained on the property;
2. An updated review of volume yields for the property prepared by Bob Lockhart.

By way of explanation, the current County conditions restricts the excavation of the property to a 15'-20' limit unless the excavation can provide proof that deeper excavation will not destroy the marl layer located under the lake. Bob feels that if there is no water withdrawal, this requirement restricting the depth of the excavation could be removed. In addition, the County conditions require the maintenance of the wading bird habitat management area which also restricts the amount of excavation on the property. As such, the anticipated yields from the property will be as follows:

1. Approximately 4,000,000 Cubic Yards, if the Wading Bird Area is required and the depth restrictions apply.
2. Approximately 5,000,000 Cubic Yards, if the depth restriction is not applicable, but the maintenance of the wildlife area will be required; and

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SSU
D#950495-WS

Doc REQ #45 A PORTION OF

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PTY 1996

Julian L. H. Stokes, MAI
APPRAISAL RESEARCH CORPORATION
August 10, 1992
Page -2-

- 3. Approximately 6,350,000 Cubic Yards if neither the Wildlife Area nor the depth restriction is required.

In addition, Bob feels that the front 36 acres will be utilized as a part of the excavation project and that its residual value will not be substantial. He further believes that farmers have not traditionally paid for water withdrawal rights and that it is not very probable that they can be convinced to pay for the right to remove water from the Pit nor to pump water unto the Pit during the respective dry and wet seasons. He feels, therefore, that the only value to the property would be the present value of the excavation of the property. Under the County conditions at the end of the excavation, the owner will be required to donate the property to some foundation or governmental entity for wildlife maintenance purposes.

Please contact Bob for a more thorough explanation regarding these calculations. As I indicated, we are looking for a value of the property based on the assumption that SSU will not be able to obtain the rights to extract water from the property for its Marco Island Utility systems.

It is my further understanding that Dan Howard contacted SSU and advised them that my statement that you were not previously authorized to do an appraisal for SSU was incorrect. Accordingly, I presume that you have received those instructions from him and that you can proceed to provide us with the appraisal we require as soon as possible.

Very truly yours,

EDWARD A. SCHRANK

/cm-s
encl.

c: Karla Teasley, Esq.
Mr. Scott Vierima
B.B. Lockhart

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SSU
D#950495-WS

Docket # 81 Response

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APR 1 1991

S.S.U.S. Eng g

CUMMINGS & LOCKWOOD

ATTORNEYS AT LAW

POST OFFICE BOX 413032

3001 TAMiami TRAIL NORTH

NAPLES, FLORIDA 33941-3032

(813) 262-8311

FACSIMILE (813) 263-0703

March 28, 1991



- *EVIN G. COLEMAN
- *THOMAS CONROY, III
- *AREN R. GARDINER**
- *CHARLES R. GERRKE
- *VICTORIA M. HO
- *EDWARD JOHNSON
- *FANELA S. MAC'NIE
- *DAVID N. MORRISON
- *CATHY S. REIHAN
- *JAMES C. STEWART, JR.

**ADMITTED IN CONNECTICUT & WASHINGTON, D.C. ONLY

- *JOSE B. COX
- BOARD CERTIFIED TAX LAWYER
- BOARD CERTIFIED ESTATE PLANNING AND PROBATE LAWYER
- *LAWRENCE A. FARESE
- BOARD CERTIFIED CIVIL TRIAL LAWYER
- *JUDLEY GOODLETTE
- BOARD CERTIFIED REAL ESTATE LAWYER
- *KENNETH D. KRIER
- BOARD CERTIFIED ESTATE PLANNING AND PROBATE LAWYER
- *WILLIAM R. O'NEILL
- *HOWARD S. TUTTILL*
- *GEORGE A. WILSON
- BOARD CERTIFIED ESTATE PLANNING AND PROBATE LAWYER
- *ADMITTED IN CONNECTICUT & NEW YORK ONLY

Mr. Bryan Milk, Project Planner
 Development Services Department
 Community Development Division
 Collier County Government
 1300 North Horseshoe Drive
 Naples, FL 33942-6917

VIA TELECOPY AND
 US MAIL
 643-3266

*copy to C. Wood
 S. Clark
 M
 4/2/91*

Re: Petition PU-91-1, Southfield Farms LTD V

Dear Bryan:

We appreciated the opportunity of meeting with you and other members of the County staff on March 27, 1991 on behalf of our client, Southfield Farms LTD V. The purpose of this correspondence is to summarize and confirm the various issues we discussed at this meeting.

Our client will seek a provisional use on its property for two separate uses: water extraction and earth mining. Pursuant to our discussion, we will also seek two excavation permits for each of the above uses..

It is our client's intention to address first all issues pertaining to the water extraction permit. It is our understanding that the County will assess separately any environmental issues relative to our client's provisional use and permit request for water extraction. Our client's project engineer, Robert Lockhart, PE will work with the County in separating these two "projects". Therefore, our client's attempt to quickly obtain an excavation permit for its water extraction operations will not be delayed as a result of matters related primarily to the mining portion of the project.

It is further our understanding that Barbara Burgeson will recommend approval of our client's provisional use request to the Environmental Advisory Council subject to the six stipulations and conditions set forth in her handwritten memo which was delivered to us at the meeting. These stipulations must be satisfied as discussed in the meeting prior to the time the excavation permit is issued. In that regard, Barbara

TEN STAMFORD FORUM
STAMFORD, CT 06904

TWO GREENWICH PLAZA
GREENWICH, CT 06830

250 ROYAL PALM WAY
PALM BEACH, FL 33480

CITYPLACE 1/5
HARTFORD, CT 06103

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Doc REG # 81 RESPONSE

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Mr. Bryan Milk, Project Planner 2



March 23, 1991

Burgeson has also agreed that the environmental issues raised by Kim Dryden of the Game and Fresh Water Fish Commission can be addressed in conjunction with the excavation permit and should not delay the provisional use process which can be handled through stipulations. Finally, we understand that Kim Dryden's recommendation to preserve the northern quarter of the proposed borrow pit area on the subject property may not be necessary. The petitioner will have an opportunity through an appropriate management plan to lessen this preservation area. Similarly, the 90 day review period set forth in Section 7 may be avoided and Kim will work with the Fish and Wildlife Department to achieve this result.

Additionally, we will establish that the entire project does not constitute a development of regional impact for mining operations pursuant to Chapter 330, Florida Statutes. You have informed us that you are concerned that the project's goal of producing some 4,000,000 gallons of water per day for the residents of Marco Island may reach the thresholds for a DRI. It is our understanding that you are not concerned with the 100 acre mining threshold set forth in the DRI criteria. Providing staff persists in requesting further assurances, we will provide you with a determination from the Department of Community Affairs that our client's project does not constitute a DRI for purposes of water consumption relative to mining operations. (A)

Again, we sincerely appreciate the beneficial meeting you scheduled and trust you will not hesitate to contact me if any of the matters set forth in this letter are inaccurate as our client will be relying on the County's statements during the meeting.

~~Very truly yours,~~

J. Dudley Goodlette

JDG/dja

- cc: Mr. Jack Robson, Southfield Farms
- Mr. John Madajewski, Collier County Project Review Services
- Mr. R.A. Terrero, Southern Utilities System
- Mr. Lloyd Horvath, Missimer and Associates
- Mr. Arsenio Milian, Milian, Swain & Associates
- Mr. Alberto Argudin, Milian, Swain & Associates
- Ms. Kim Dryden, Florida Game Fresh Water and Fish Commission
- Mr. David Bratcher, Collier County Project Review Services
- Ms. Barb Burgeson, Collier County Project Review Services
- Ms. July Adames, Collier County Project Review Services
- Robert Lockhart, P.E.
- Kevin G. Coleman, Esquire

KGC\LTR\Milk

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Doc REQ # 81 Response

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Jack Robson addressed the first item by providing a construction schedule in which mining of the 160 acre site will be completed in a 10 year period. Therefore the threshold will not be exceeded.

With regard to the water extraction, the attorney for Cummings & Lockwood interpreted that the 3 MGD threshold is related to mining operations, and that South Field Farms will not necessitate to pump any water for mining purposes. The water withdrawal is for water supply purposes and therefore does not fall into D.C.A. requirement's threshold. It was decided that a determination from D.C.A. will be requested to ascertain the County that such interpretation is valid.

- 2) A number of issues were raised by Barbara Bergeson, regarding the questions addressed in the memorandum of Gail G. Gibson, Senior Hydrologist for Collier County's Pollution Control Department. His concerns to the potential for salt water upconing due to the water withdrawal was properly addressed by Lloyd Horvath, who provided them with a copy of his solute transport modeling, and that seemed to satisfy them.

Other concerns such as the presence of the confining layer at the 20 ft. depth not appearing uniformly throughout the entire site, the impact to the quality and quantity of water available to other ground water uses in the vicinity of our withdrawal, etc. were discussed in detail. In my opinion, the agency with jurisdiction for these questions is the South Florida Water Management District. They reviewed the models, and they were satisfied that the proposed withdrawal would not impair water quality or the beneficial use to other approved water users. Barbara agreed that a copy of the consumptive use permit will be sufficient to soothe those concerns, and Lloyd Horvath intended to follow through on these requirements.

- 3) One other issue discussed was the impact to wildlife as a result of the proposed project. The Florida Game and Fresh Water Fish Commission representative agreed that if we were to separate the application of provisional use just for water extraction, that mitigation could be addressed later during the excavation permit process.

The ultimate mitigation request for a wading bird

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Doc REQ # 81 RESPONSE

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PTY 1996

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management area to be established in the northern part of the property, seems to be accepted by South Field Farms, and does not appear to be an obstacle in proceeding with our application.

Ralph, this is my best recollection of the main topics discussed at the meeting. Please call me if you have any questions or need additional information.

Sincerely,

MILIAN, SWAIN & ASSOCIATES, INC.

Arsenio Milian

Arsenio Milian, P.E.
President

AM/ab

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Doc Ref #8 RESP/112

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PTY 1996

FLORIDA Milium, Swain & Associates, Inc.

2025 Southwest 42nd Avenue, Miami, Florida 33145
Tel: (305) 441-0123 Fax: (305) 507-0666

May 7, 1991

RECEIVED

MAY 21 1991

ENGINEERING DEPT.

Mr. Tom Beck
Bureau Chief
Department of Community Affairs
2740 Centerview Drive
Tallahassee, FL 32399

Re: Southfield Farms - Excavation & Water Extraction Permits

Dear Tom:

As discussed during our conversation, find below a description of the two different functions to be performed in the above referenced project.

Southfield Farms, LTD. V owns a 160 acre site located in the southeast quarter of section 7, TWP 51S, RGE 27E, which is approximately four miles east of S.R. 951, fronting S.R. 90 (U.S. 41) in Collier County.

} VERIFY TO TOWNSHIP
MAP COORDINATES
R

Marco Island Utilities plans to construct and operate a raw water pumping station and a transmission line, with the intention to complement their existing source and improve the water quality during the dry season. A consumptive use permit has been obtained from the South Florida Water Management District to pump 4 MGD by expanding an existing trench that was excavated some years ago as part of a rock mining operation that had been abandoned.

The second purpose of this project is to reinitiate the rock mining operation. This use will be closely monitored by Marco Island Utilities to prevent contamination or degradation of the water quality.

In the process of obtaining the necessary approvals, the Collier County Planning Department has determined that provisional use permits are required for both, the raw water extraction and the mining operation. The staff is also requesting clarification from the Department of Community Affairs whether a DRI should be required. The two main concerns mentioned were related to Chapter 380 F.S. Thresholds: a) If the mining operation exceeds 100 acres per year and b) If water extraction exceeds 3 MGD.

PBC

PAGE

MAY 21 1991 15:41 FROM GILBERT C. BETZ, PA

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Source PBC

27-1
4

SSU
D#950495-WS

Doc Ref #8 RESURVE

PTY 1996

WILLIAM SWAIN & ASSOCIATES, INC.

2025 Southwest 32nd Avenue, Miami, Florida 33145
(305) 411-0123 Fax: (305) 557-8666

May 7, 1991

RECEIVED

MAY 21 1991

ENGINEERING DEPT.

Mr. Tom Beck
Bureau Chief
Department of Community Affairs
2740 Centerview Drive
Tallahassee, FL 32399

Re: Southfield Farms - Excavation & Water Extraction Permits

Dear Tom:

As discussed during our conversation, find below a description of the two different functions to be performed in the above referenced project.

Southfield Farms, LTD. V owns a 160 acre site located in the southeast quarter of section 7, TWP 51S, RGE 27E, which is approximately four miles east of S.R. 951, fronting S.R. 90 (U.S. 41) in Collier County.

VERIF TO TOWNSHIP
MAP COORDINATES
R

Marco Island Utilities plans to construct and operate a raw water pumping station and a transmission line, with the intention to complement their existing source and improve the water quality during the dry season. A consumptive use permit has been obtained from the South Florida Water Management District to pump 4 MGD by expanding an existing trench that was excavated some years ago as part of a rock mining operation that had been abandoned.

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FROM GILBERT C. BETZ, PA MAY 21 91 15:41

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SOURCES PBC

27-1
4

SSU
D#950495-WS

Doc Ref #8 RESURVE

PTY 1996

WILLIAM Swain & Associates, Inc.

2025 Southwest 42nd Avenue, Miami, Florida 33145
(305) 441-0123 Fax (305) 557-0866

May 7, 1991

RECEIVED

MAY 21 1991

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Bureau Chief
Department of Community Affairs
2740 Centerview Drive
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} VERIFY TO TOWNSHIP
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MAY 21 15:41 FROM GILBERT C. BETZ, PA

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Doc RFD #8 RESPONSE

OW

PTY 1996

The first issue was addressed by providing a construction schedule in which mining of the 160 acre site will be completed in a 10 year period, ascertaining that the threshold of 100 acres/year will not be exceeded. With regard to the water extraction, it is our position that the 3 MGD threshold for DRI is only related to mining operations. It is anticipated that Southfield Farms will not necessitate to pump any water for mining purposes. The water withdrawals proposed for Marco Island Utilities is for water supply purposes and therefore does not fall into DCA's established threshold.

As discussed, a clearance letter from DCA articulating your position would be most appreciated. Please advise if you have any questions or need additional information. Your prompt response will be most appreciated.

Sincerely,

MILIAN, SWAIN & ASSOCIATES, INC.

Arsenio Milian

Arsenio Milian, P.E.
President

AM/ab

PBC

27

SOURCE PBC

27-1
4

Doc Ref #81 RESPONSE

cc

PTY 1996

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Sincerely,

MILIAN, SWAIN & ASSOCIATES, INC.

Arsenio Milian

Arsenio Milian, P.E.
President

AM/ab

PBC

2/2

PAGE.003

MAY 21 91 15:42 FROM GILBERT C. BETZ, PA

SOURCE PBC

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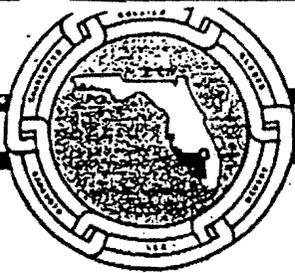
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D#950495-WS

Doc REG # 81 RESPONSE

W

PTY 1996

RECEIVED MAY 13 1991



Southwest Florida Regional Planning Council

3980 Bayline Drive, 4th Floor, N. Ft. Myers, FL 33917-3909 (813) 995-4282

P.O. Box 3455, N. Ft. Myers, FL 33918-3455 SUNCOM 721-7290 / 7291

FAX 813-995-7895

*Marco
Island
Water*

May 10, 1991

Mr. Tom Beck, Chief
Bureau of State Planning
Florida Department Of Community Affairs
2740 Centerview Drive
Tallahassee, FL 32399

Dear Mr. Beck:

Regional staff recently was faxed a copy of a letter to you, from Arsenio Milian, of Milian, Swain & Associates, Incorporated. This letter concerned a determination as to whether the Southfield Farms/Marco Island Utilities project in Collier County constituted a mining DRI. It is the opinion of staff, that the proposed project, which would allow the utility company to withdraw 4 million gallons of fresh water per day from an existing rock trench. This water would be used, upon treatment, by Marco Island Utility Company's customers. Regional staff believes that the project does not constitute a development of regional impact, for the following reasons:

1. The total acreage mined per year will not exceed 100 acres.
2. The purpose of the proposed water withdrawals is for a water supply utility.
3. Although the Southfield Farms mining operation may benefit from the Marco Island Utilities operation, the utility's proposal is independent of the mining operation and could conceivably outlast the mining project.

If Southfield Farms should ever propose to take over the rock trench excavation and withdrawals from the Marco Island Utilities Company, then the project would have to be reexamined as a possible DRI; provided the stated reason for the takeover was for mining purposes, and provided that the proposed withdrawals are still above the DRI threshold requirement of 3 million gallons per day.

Sincerely,
SOUTHWEST FLORIDA REGIONAL PLANNING COUNCIL

Glenn E. Heath

Glenn Heath
Regional Planner

GH/cf

cc: James Stansbury
Arsenio Milian, P.E.
Ken Baginski



Source: *PBC*

27-1
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SSU
D#950495-WS

Doc REG #81 RESPONSE

W

PTY 1996

COPY

SSU
SERVICES
Intra-company correspondence

MEMORANDUM



April 4, 1991

To: Bert T. Phillips
From: C.E. Wood *[Signature]*
Re: Raw Water Supply - Mass Mutual Golf Course

This will confirm our discussion on March 27th regarding the raw water supply alternatives to the Mass Mutual Golf Course. Shown on Attachment 1 is a sketch of the existing water and wastewater system at Marco Island. Shown on Attachment 2 are the improvements scheduled for 1991 in this area.

Our agreement with Mass Mutual requires us to make good faith efforts to provide raw water supply for golf course irrigation by October 1991. We are protected from undue risk due to permitting, zoning, or other regulatory difficulties which would interfere with this schedule. Our contract allows 18 months from date of signing to obtain these permits and approvals; otherwise the contract is null and void. The contract was signed in March of this year, therefore we have until September 1992 to construct. Obviously, with construction well underway, delays beyond the most recently proposed October 1991 date will cause financial hardship on the golf course owners.

The golf course agreement calls for them to purchase from us, between 350,000 to 500,000 GPD. Rates are established by the Marco Island Tariff even though this project falls outside our certificated area. The current rate is \$.53/1000 gal, plus a \$100/mo BFC. Gallonage charges are proposed to increase to \$.74/1000 with the pending rate filing.

27-1
(A)

(B)

Water supply for this project will come from the "Dude Project" (Southfield Farms). Our Southfield contract obliges us to begin paying \$12,5000/mo for 2 MGD beginning the first day of the first full month after we take possession of the premises and begin to extract water. We also have some protection from regulatory delay in this contract, giving us to 8/13/92 to secure all permits, licenses, easements, etc. As in the Mass Mutual agreement, delays beyond this point will negate the contract.

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Source: PBC

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Doc REG #81 RESPONSE

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PTY 1996

As we discussed, assuming permits were obtained now, three primary alternatives could be identified to provide untreated raw water to the golf course for irrigation.

Plan 1 Construct the headworks and pumping facilities on the Dude site, "Section A" of the Dude/Collier interconnect, and the water main to the golf course. Construct "Section A" with 8" pipe which would provide sufficient capacity to only serve the golf course.



Cost \$1,000,000.

Plan 2 Same as Plan 1, except construction "Section A" with 18" pipe which would allow for 4 MGD from the Dude property to the Collier property when the interconnect was made in the future.

Cost \$1,600,000.

Plan 3 Same as Plan 2, except complete the interconnect to the Collier lakes by building "Section B".

Cost \$2,200,000.

We discussed the possibility of postponing the capital expenditures for the raw water supply. We would do this by accelerating reuse alternatives from the Marco Island WWTP project for golf course irrigation in lieu of or lessening the need for major percolation pond modifications. The earliest date any such alternatives could be put into service would be approximately the fall of 1992, thereby causing difficulties in meeting our November 1991 TOP deadline for the 3.5 MGD wastewater treatment plant. Ralph continues to evaluate alternatives in resolving a satisfactory solution for the effluent disposal question. In the interim, I believe we agreed a reclaim system will not meet our needs if water is needed to the golf course this year.

The economics for the raw water supply alternatives break down as follows:

7/6

Source: PBC

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SOURCE: PBC
 27-1
 9/6

	<u>PLAN 1</u>	<u>PLAN 2</u>	<u>PLAN 3</u>
Gross Revenue per Year			
@ \$.53/1000 current rate	\$ 68,000 - \$97,900 ⁽¹⁾	\$ 68,000 - \$97,900 ⁽²⁾	\$ 68,000 - \$ 97,900 ⁽²⁾
@ \$.74/1000 proposed rate	94,400 - 136,250	94,400 136,250	94,400 - 136,250
Operating Expenses per Year			
purchased water	\$150,000	\$150,000	\$150,000
+pumping, labor, maintenance, taxes, insurance			
Financing Cost per Year			
	\$106,080	\$169,730	\$233,370
(assumes interest rates at 10% and 30 years to retire the debt).			
Total Return (Loss) on Project per Year			
@ \$.53/1000 current rate	(\$188,080)-(\$158,180)	(\$251,730)-(\$221,830)	(\$315,370)-(\$285,470)
@ \$.74/1000 proposed rate	(\$161,680)-(\$119,830)	(\$225,330)-(\$183,480)	(\$288,970)-(\$247,120)

- 1) The gross revenues figures assume a range between 350,000 to 500,000 GPD would be sold to Mass Mutual Golf Course.
- 2) The gross revenues from Plan 3 are understated. Our Duda agreement calls for Southfield Farms to make available a minimum of 2 MGD. Allowing for 350,000 to 500,000 gal/day to be sold to the golf course, would allow between 1.65 and 1.5 MGD to be sold to other Marco Island customers. Since this is replacement capacity for the Collier lakes raw water capacity, and we are limited by what we can transmit to the island by the present 12" and 14" raw water transmission link, no value has been placed on this capacity.



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 EXHIBIT RFD - 4 (PAGE 22 OF 32)
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PTY 1996

Due to the uncertainties with the Collier lease (still being negotiated) and a desire to minimize our capital outlay until the need for the Duda water for Marco Island supply can be more clearly justified, we have agreed to go forward with Plan 2. We intend to utilize Arsenio Milian as Project Engineer on a turnkey basis once all permits and approvals are obtained.

Subsequent to our meeting, additional permitting wrinkles have surfaced. A copy of a memorandum from the Southfield Farms attorney is attached which outlines some of those issues. In addition, we have asked Arsenio Milian to prepare a memorandum outlining the impact of the Collier County staff on this project. This memo is also attached.

cc: Donnie Crandell
H. John Losch
Edward Mangold
Charles L. Sweat
Karla O. Teasley
Rafael A. Terrero



4/6

Source: ~~PBC~~27-1
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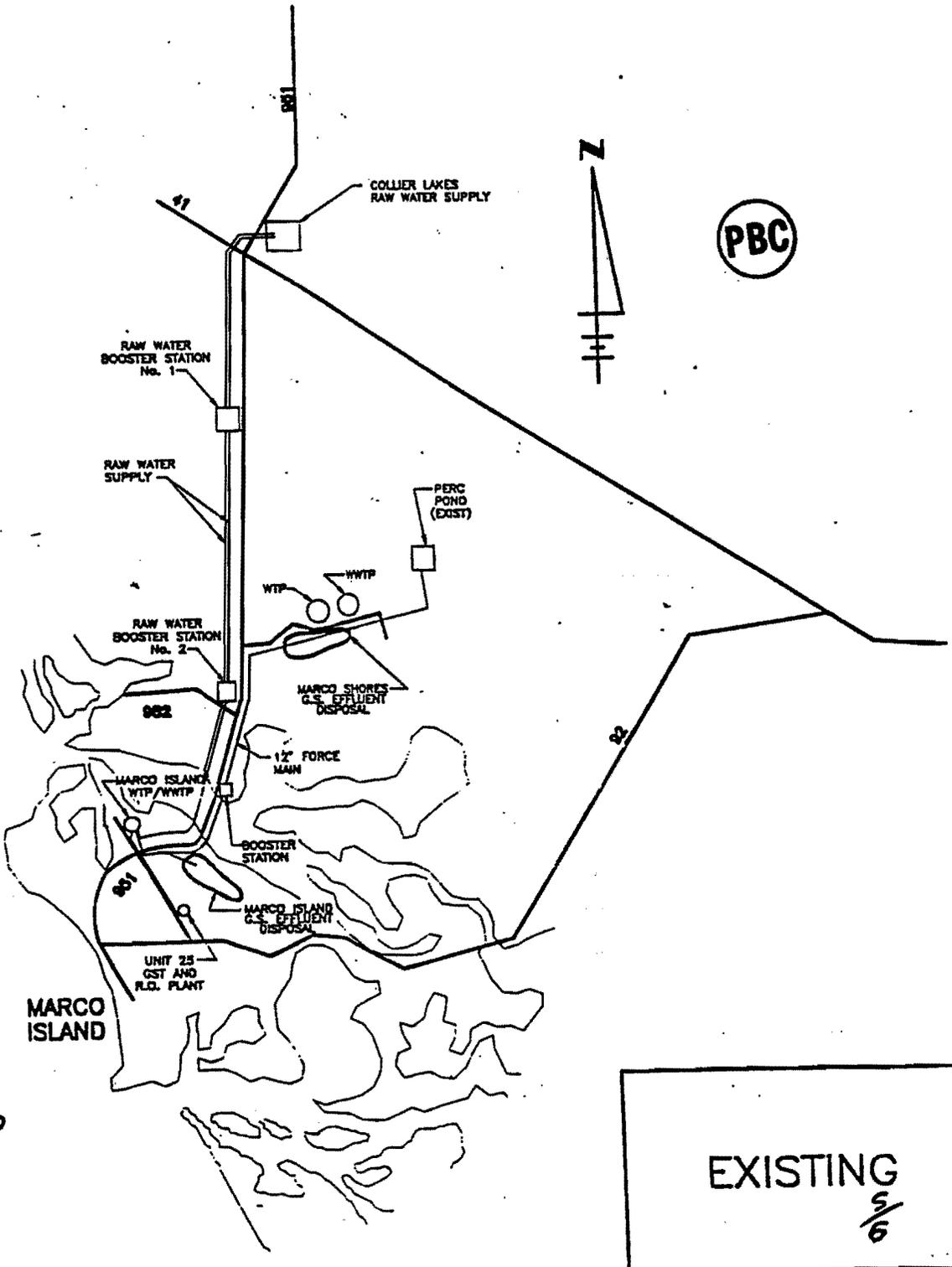
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Doc REG #81 RESPONSE

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W

GULF OF MEXICO



PBC



EXISTING
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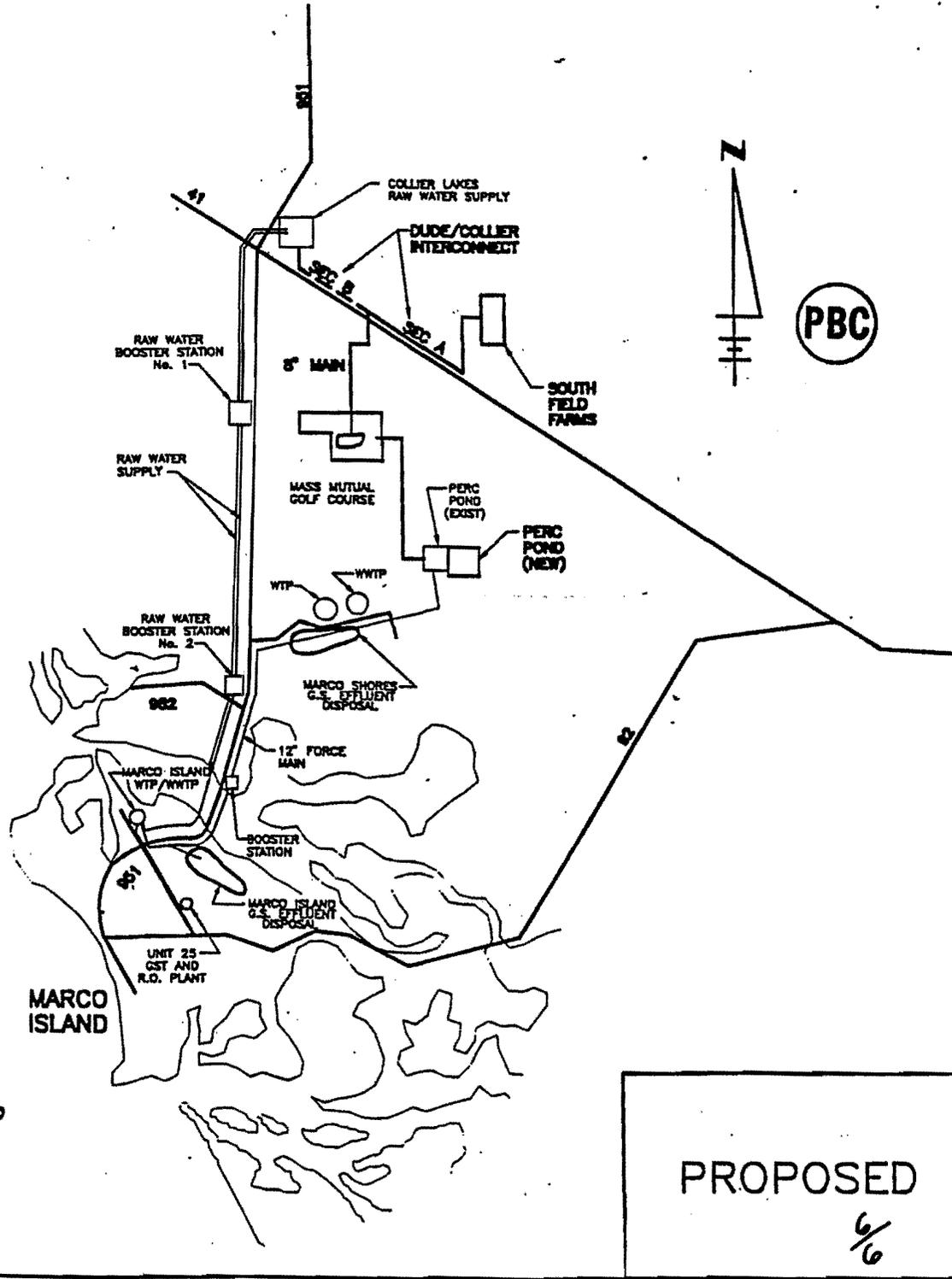
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PTY 1996



PROPOSED

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PTY 1996

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SSU SERVICES
CAPITAL AUTHORIZATION REQUEST (CAR)

Form 1
Page 1 of 2

PROJECT DESC: Duda Property Development BUDGET YR: 1992
 REGION: South WOF: 1028DO ENGR: Yes
 COUNTY: Collier DIVISION: Sewer OPER: NA
 PLANT NO: 26001 PROJ MGR: John Loach SSUSI: NA
 PLANT NAME: Marco Island AFUDC: Y

THIS PROJECT IS REQUIRED DUE TO: Regulatory Requirement
 LISTING OF REQUIREMENTS:

PURPOSE & NECESSITY:
 This project is to replace existing raw water supply if lease expires, improve quality of water, and to avoid deterioration of existing raw water lakes. Work consists of constructing the headworks and pumping facilities on the Duda site, the first portion, or leg, of the Duda/Collier interconnect, and the water main to the Mase Mutual Golf Course. Construction of the first leg with 18" pipe which would allow for 4 MGD transfer from the Duda property to the Collier property when the interconnect is completed in the future.
 See attached for additional clarification.

COST ESTIMATES	HOURS	PRIOR YR(S)	BUDGET YEAR	AFTER YR(S)	TOTAL PROJECT
Engineering Labor	750		15,000		
Construction Labor	0		0		
Miscellaneous Labor	0		0		
Material			0		
Land			0		
Contract			0		
Engineering			185,000		
Legal			0		
Construction			1,000,000		
Other			0		
Contingencies			100,000		
Subtotal			1,300,000		
Overheads			130,000		
AFUDC			69,657		
TOTAL		80,000	1,499,657	0	1,579,657

NOTE: This request is only for Authorization of Budget Year Total.

	JAN	FEB	MAR	APR	MAY	JUN
MONTHLY EXPENSES	221,790	224,914	227,579	219,178	221,711	213,176
	JUL	AUG	SEP	OCT	NOV	DEC
MONTHLY EXPENSES	171,309	0	0	0	0	0

Originator: _____ Date: _____ Supervisor: _____ Date: _____
 Dept. V.P.: _____ Date: _____ President: _____ Date: _____



Source:

27-1
7

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CW 10/95

PTY 1996

CAPITAL AUTHORIZATION REQUEST (CAR)

Form 1
Page 2 of 2

SCHEDULE	START DATE	END DATE
Dude Property Development	02/19/91	08/01/92
ENGINEERING.....	02/19/91	04/18/91
Preliminary Inspection/Conceptual Design	02/19/91	03/01/91
Site Plan Preparation	03/04/91	03/15/91
Final Design	03/18/91	04/18/91
PERMITTING.....	03/18/91	11/30/91
DER	03/18/91	11/30/91
DOT	NA	NA
WHD	NA	NA
County	05/17/91	11/30/91
Permit 1	NA	NA
Permit 2	NA	NA
Permit 3	NA	NA
Permit 4	NA	NA
CONSTRUCTION.....	12/01/91	08/01/92
Bid	12/01/91	12/31/91
Award Contract	01/15/92	01/15/92
Start to Substantial Completion	02/01/92	07/01/92
Substantial to Final Completion	07/01/92	07/31/92
Certification	07/01/92	07/31/92
In-Service Date.....	08/01/92	08/01/92

BREAKDOWN BY PLANT ACCOUNT NUMBER (NARUC):

NARUC ACCT NUMBER:	DESCRIPTION	\$ VALUE
1. 304.200	STRUCTURES/IMPROVS-SOURCE OF SUPPLY/PUMP PLT	646,790
2. 309.200	SUPPLY MAINS-SOURCE OF SUPPLY/PUMPING PLANTS	684,103
3. 310.200	POWER GEN EQUIP-SOURCE OF SUPPLY/PUMP PLANTS	103,652
4. 311.200	PUMPING EQUIP-SOURCE OF SUPPLY/PUMPING PLANT	145,112
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
TOTAL		1,579,657
AMOUNT SHOULD MATCH TOTAL PROJECT COST		1,579,657

LISTING OF RETIREMENTS

DESCRIPTION	NARUC ACCT NO.	ORIGINAL COST	COST TO RETIRE	SALVAGE AMT	NET RETIREMENT
1.					0
2.					0
3.					0
4.					0
5.					0
6.					0
7.					0
8.					0
9.					0
10.					0
11.					0
12.					0
13.					0
TOTAL RETIREMENT					0

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Source: PBC

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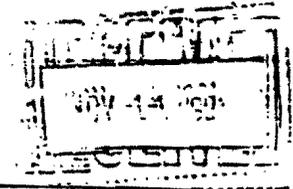
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D#950495-WS

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CW 10/96

PTY 1996

Milian, Swain & Associates, Inc.

2025 Southwest 32nd Avenue, Miami, Florida 33145
(305) 441-0123 Fax (305) 567-9666



INVOICE

Bill To:

Invoice No. 14022-RW
Date 10/25/91

SSU Services
Engineering Department
Attention: Constance Paladino
1000 Color Place
Apopka, Florida 32701

RE: P.O. No. #20024
Work Order # 830-SUR-0002

Service for the month of October 1991 in connection with the
Marco Raw Water Line:

Arsenio Milian 2.75 hrs. @ \$125.00 \$ 343.75

- 10/4 Reviewing reports from Missimer & Associates to DER.
- 10/7 Review effluent irrigation contract with Collier County. Made comments to Schrank.
- 10/28 Conference with J. Schumann of Mass Mutual on effluent irrigation contract.

Expenses:

Fax
Telephone

4.00
7.80

CURRENT AMOUNT DUE

\$ 355.55

JS
12/2/91



make checks

payable to: Milian, Swain & Associates, Inc.

bills are due upon receipt

Source: PBC

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SSU
D#950495-WS

PTY 1996

RD
SW 10/96

TO: ACCOUNTS PAYABLE DEPARTMENT CC: PURCHASING DEPARTMENT		CONSULTANT/CONTRACTOR INVOICING & CHANGE ORDER LOG SOUTHERN STATES UTILITIES ENGINEERING DEPARTMENT		12/02/91
PLANT NUMBER	26001	NAME	Milan, Swain & Assoc.	PBC
PLANT NAME	Marco Island	ADDRESS	2025 Southwest 32nd Ave.	
PROJECT NAME	Dude Property Engineering Services	CITY	Miami	
VENDOR REF NO.	X	STATE	Florida	
WORK ORDER NO.	102800	ZIP	33145	
PURCHASE ORDER NO.	20024	PHONE	(305) 441-0123	
CONTRACT	None	SSU VENDOR #	X	
		PROJECT MGR	Losch	

INVOICE APPROVALS: PAYMENT TURNAROUND XX DAYS
PERCENT RETAINAGE XX% TO XX% AFTER 00/00/91

CHANGE ORDER APPROVALS:

INVOICE NUMBER	INVOICE DATE	AMOUNT	DUE DATE	DATE APPROVED	APPROVED BY
7001-RN	07/30/90	2,552.90	08/20/90		
7009-RN	10/30/90	17,905.55	11/20/90		
7010-RN	12/30/90	10,205.25	01/20/91		
7011-RN	12/30/90	19,587.50	01/20/91		
7012-RN	01/30/91	20,067.50	02/20/91		
7013-RN	02/28/91	20,661.66	03/20/91		
14015-RN	03/31/91	11,863.75	04/20/91	04/23/91	J/RT
14014-RN	02/28/91	12,699.05	04/11/91	04/23/91	J/RT
14016-RN	04/30/91	9,198.95	05/30/91	06/11/91	J/RT
14016-RN	05/31/91	5,992.10	07/10/91	10/02/91	J/RT
14018-RN	06/30/91	4,234.50	08/10/91	10/02/91	J/RT
14019-RN	07/31/91	752.00	09/02/91	10/02/91	J/RT
14020-RN	08/30/91	1,487.35	10/10/91	10/02/91	J/RT
14021-RN	09/30/91	1,327.95	11/08/91	11/09/91	J/RT
14022-RN	10/25/91	355.55	11/25/91	12/2/91	J/RT

CHANGE ORDER NUMBER	DATE APPROVED	APPROVED BY	CHANGE ORDER AMOUNT
0016 CONTRACT	06/06/90	DC	123,500.00
1	10/02/91	RT	13,713.06
2	11/14/91	J/RT	1,327.95
3	12/2/91	J/RT	10,000.00

TOTAL INVOICED TO DATE: 138,896.56 D.DD TOTAL RETAINAGE
REMAINING AMOUNT: 9,644.45

CHANGE ORDER TOTALS: 25,041.01
CURRENT CONTRACT AMT: 148,541.01

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Source: *PBC*

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ew 10/96

PTY 1996



SSU SERVICES
PURCHASING DEPARTMENT
1000 COLOR PLACE
APOPKA, FLORIDA 32703
(407) 880-0058

PURCHASE ORDER

P.O. NO.	
P.O. DATE	20024
P.O. PAGE	12/09/91

MILIAN SWAIN AND ASSOC.
2025 SW 32ND. AVE
MIAMI FL 33145

MARCO ISLAND UTILITIES
900 WINDWARD DRIVE
MARCO ISLAND FL 33937

NOTES: REQ. #1005-90 & 151649

VENDOR NO.	H13018	SHIP TO CODE	05
SHIP VIA	BEST WAY	F.O.B.	JOBSITE
TERMS	NET 30 DAYS	SALES TAX	NO
ORDER TYPE	AMENDMENT 6	COST CENTER	26001

SSU SERVICES
ACCOUNTS PAYABLE DEPT.
1000 COLOR PLACE
APOPKA FL 32703
102800

LN	ITEM NUMBER	DESCRIPTION	U/M	QTY	DUE DATE	PRICE	TOTAL
01	830-SUR-0002	ENGINEERING SERVICES LOT PRELIMINARY SURVEY AND ENGINEERING FOR MARCO ISLAND UTILITY RETAINER FEE AND WATER SUPPLY.	LOT	1	06/06/90	15000.000	15000.00
02		CHANGE ORDER #1	LOT	1	05/16/91	108500.000	108500.00
03		CHANGE ORDER #2	LOT	1	10/03/91	13713.060	13713.06
04		CHANGE ORDER #3	LOT	1	11/18/91	1327.950	1327.95
05		CHANGE ORDER #4	LOT	1	12/09/91	10000.000	10000.00

RECEIVED
DEC 11 1991

SPECIAL INSTRUCTIONS		PAGE TOTAL	148541.01
PLEASE SHOW PURCHASE ORDER NUMBER AND WORK ORDER NUMBER ON ALL INVOICES AND CORRESPONDENCE		ADJUSTMENT	
IMPORTANT: THIS ORDER IS SUBJECT TO THE TERMS AND CONDITIONS PRINTED ON THE REVERSE SIDE.		TAX	
REQUISITIONER: CHARLES E. WOOD		TOTAL	148541.01
BUYER: [Signature]		PBC [Signature] JOHN HILTON - PURCH AGENT	

ACCOUNTING

Source: PBC

27-1
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CW 10/96

PTY 1996

55964



Amendment

DATE: 11/25/91

REQUISITION FORM

PLANT NO: 21001
DEPARTMENT: Engineering
REQUESTED BY: Koch
DATE REQUIRED:

VENDOR NAME: Melan Swain - Assoc
ADDRESS: 2025 Southwest 32nd Ave
Miami, FL 33145
PHONE NO.: 305-441-0123

SHIP TO:
ADDRESS:
ATTN:

P.O. #	Terms	Ship Via	F.O.B.	Due Date	Confirming To	Taxable	W.O. #	
30024							102800	
L/N	Item No.	Quantity	U/M	Description (include p.n, cat. #, mfg., model, size, etc.)			Price	Amount
	111			Marco Island Dude Property Engineering Services				
This is an amendment to P.O. 20024 which was originally authorized for \$123,500.00 change order #1 - 13,713.06 change order #2 - 1,327.95 Additional funds needed: change order #4 - 10,000.00 (Permitting Assistance) Please amend total to <u>148,541.01</u>								

APPROVALS	EXPLANATION	Sub-Total
[Signature] 11/2/91 [Signature] 11/5/91	DONT send P.O. to Vendor <input checked="" type="checkbox"/> Budgeted <input type="checkbox"/> Non-Budgeted	FI. Tax Freight Other Total <u>148,541.01</u>

RECORD OF DELIVERIES											
L/N	DATE REC'D	QUANTITY	BALANCE	L/N	DATE REC'D	QUANTITY	BALANCE	L/N	DATE REC'D	QUANTITY	BALANCE
				RECEIVED							
				DEC 11 1991							
				SSU SERVICES ACCOUNTS PAYABLE				PBC			

ACCOUNTING COPY

Source: PBC

27-1
8

RD
CW 10/96

PTY 1996

APPROVED BY

MANUAL CHECK #

REQUESTED BY

CHECK DATE

VENDOR # 13018

NAME Milian Swain & Associates

DUE DATE 12/17/91

ADD1

ADD2

INVOICE #/DESCRIPTION	PLANT	G/L #	MO/YR	AMOUNT	W.O.#	1099
14022-RW	26001	105.300	12/91	355.55	1028 D0	

10/28 County. Made comments to Schrank.
Conference with J. Schumann of Mass Mutual on
effluent irrigation contract.

Expenses:

- Fax
- Telephone

CURRENT AMOUNT DUE

4.00
7.80
\$ 355.55

JS
12/29/91



make checks

payable to: Milian, Swain & Associates, Inc.

Source: PBC

27-1
8

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

CW
10/96

Doc Req #95 RESPONSE

PTY 1996

FPSC AUDIT DOCUMENT REQUEST 95

The Tallahassee analysts are concerned about the organization costs relating to purchase of any additional plants or systems. In the withdrawn rate case (900329) similar costs were included in rate base.

1) What is the status of these old amounts?

Organization costs which were included in Docket Number 900329 were subsequently removed from that account and expensed, transferred to Topeka Group, transferred to Franchise and Consents, Accounts 3021 (water) and 3521 (wastewater), or charged to Unauthorized Acquisition Adjustments. These transfers occurred in 1990 and 1991. Organization costs were not included in the Company's rate case including 127 of the plants owned by SSU (Docket 920199-WS). This was done to avoid any controversial issues in that rate case.

2) Are any similar costs included in 950495-WS?

The only organization costs included in the current docket are those that had been approved by the Florida Public Service Commission prior to SSU ownership of those plants. In addition, a few plants that had been regulated by counties had organization costs approved in prior rate cases. The organization cost dollars involved are immaterial as they relate to Docket 950495-WS (\$112,788 in water account 3011 and \$115,567 in wastewater account 3511).



Source: PBC

29-2

SSU
D#950495-WS

ORG COIT / ACCUM D

PTY 1996

ACCUMULATED DEPRECIATION - WATER

TOTAL IMPACT OF DEPRECIATION RECALCULATION

WATER ACCUMULATED DEPRECIATION

Account No.	Account Description	Depreciation Rate	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			1986 Average Plant Balance	1986 Depreciation Expense	1987 Average Plant Balance	1987 Depreciation Expense	1988 Average Plant Balance	1988 Depreciation Expense	1989 Average Plant Balance	1989 Depreciation Expense
INTANGIBLE PLANT										
301.1	Organization	2.50%	80,516	33	86,478	1,412	72,049	1,801	744,205	18,808
302.1	Franchises	2.50%	1,500	2	1,500	38	1,807	46	18,243	456
308.1	Other Plant & Misc.	2.50%	0	0	0	0	0	0	0	0
SOURCE OF SUPPLY AND PUMPING										
303.2	Land & Land Rights		0	0	0	0	0	0	617,183	0
304.2	Structures & Improvements	2.50%	0	0	99	1	117	3	488,490	12,487
308.2	Collect. & Inflow	2.50%	0	0	0	0	0	0	0	0
308.2	Lake, River & Other	2.50%	0	0	0	0	0	0	0	0
317.2	Wells & Springs	2.50%	83,841	87	83,841	2,006	84,267	2,107	691,682	17,292
	Infiltration Galleys	2.50%	0	0	0	0	0	0	0	0
	Truck Maintenance	2.50%	8,076	8	8,624	2,218	172,267	4,307	1,077,685	26,942
	Seasonal Eq.	2.50%	0	0	0	0	0	0	278,589	6,965
	Other Equipment	2.50%	616	1	1,741	44	2,866	72	2,323,584	58,340
	Other Plant & Misc.	2.50%	0	0	0	0	0	0	0	0
TREATMENT PLANT										
303.3	Land & Land Rights		70,313	8	70,313	0	70,313	0	364,287	0
304.3	Structures & Improvements	2.50%	33,148	25	34,207	863	38,274	862	230,729	5,788
308.3	Water Treatment Eq.	2.50%	6,778	7	8,813	170	8,947	171	677,213	21,820
308.3	Other Plant & Misc.	2.50%	0	0	0	0	0	0	0	0
TRANSMISSION & DISTRIBUTION										
303.4	Land & Land Rights		0	0	0	0	0	0	170,000	0
304.4	Structures & Improvements	2.50%	0	0	0	0	0	0	833	18
308.4	Dist. Reservoirs	2.50%	70,221	78	70,221	1,756	70,433	1,761	2,167,953	54,176
311.4	Trunks & Distribution	2.50%	2,476,629	2,590	2,825,004	63,125	2,585,579	84,830	15,628,825	395,721
328.4	Services	2.50%	162,821	189	162,824	4,072	165,056	4,127	3,876,861	146,167
334.4	Meters & Meter Installation	2.50%	86,030	83	82,890	2,207	100,257	2,506	3,252,727	81,318
338.4	Hydrants	2.50%	125,354	131	143,755	3,594	163,606	4,085	823,189	13,080
338.4	Other Plant & Misc.	2.50%	8,089	8	8,089	201	8,074	202	8,089	202
GENERAL PLANT										
303.5	Land & Land Rights									
304.5	Structures & Improvements									
340.5	Office Furniture & Equipment									
340.51	Computer Equipment									
341.5	Transportation Equipment									
342.5	Storage Equipment									
343.5	Tools, Shop & Garage									
344.5	Laboratory Equipment									
345.5	Power Operated Equipment									
346.5	Communication Equipment									
347.5	Mechanical Equipment									
348.5	Other Tangible Plant									
TOTAL			3,163,703	3,243	3,345,777	81,867	3,538,822	86,713	25,719,267	663,968

* Organizational Costs were retired in 1989

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Source: SSU DEPRE. RECALC. SCHEDULES
ADJ. TO: BELM POINTS 1995 PATE CASE

29-3

SSU
D#950495-WS

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ORG COST / ACCUM D

PTY 1996

ACCUMULATED DEPRECIATION - WATER
TOTAL IMPACT OF DEPRECIATION RECALCULATED

WATER ACCUMULATED DEPRECIATED

Account No.	Account Description	(8)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
		1990 Average Plant Balance	1990 Depreciation Expense	1991 Average Plant Balance	1991 Depreciation Expense	Beginning Accumulated Depreciation	12/31/91 Revised Accumulated Depreciation (13+2+4+8+9+10+12)	12/31/91 MPR Accumulated Depreciation	Liability Adjustment to Beginning Plant (16-14)
TANGIBLE PLANT									
351.1	Organization	576,778	14,304	27,787	894	47,286	0	0	0
352.1	Franchises	34,454	881	198,437	4,711	16,883	22,770	23,562	588
353.1	Other Plant & Misc.	268	10	38,088	952	7,787	8,748	8,347	599
SOURCE OF SUPPLY AND PUMPING									
353.2	Land & Land Rights	774,708	0	894,828	0	0	0	0	0
354.2	Structures & Improvements	594,897	14,846	1,231,448	38,796	228,156	397,309	307,239	14,039
355.2	Collect. & Inflow	0	0	48,379	7,008	12,790	13,808	13,283	(219)
355.3	Lake, River & Other	0	0	0	0	0	0	0	0
357.2	Wells & Springs	778,848	18,389	1,438,886	38,488	317,819	384,489	484,334	28,864
358.2	Intention Caster	0	0	0	0	0	0	0	0
358.3	Supply Lines	1,344,249	31,108	2,081,787	52,043	222,880	348,181	343,879	4,884
319.2	Power Generation Eq.	453,128	17,328	858,466	16,387	17,882	35,172	87,825	32,453
311.2	Pumping Equipment	2,857,840	88,446	3,918,888	87,874	1,078,525	1,235,401	1,533,854	243,153
358.2	Other Plant & Misc.	0	0	38,183	1,405	28,212	30,817	31,437	848
WATER TREATMENT PLANT									
353.3	Land & Land Rights	1,117,037	0	798,108	0	0	0	0	0
354.3	Structures & Improvements	344,131	8,104	488,789	11,520	37,894	83,087	97,888	14,801
357.3	Water Treatment Eq.	846,123	23,853	1,882,915	48,800	561,228	846,888	784,176	117,218
358.3	Other Plant & Misc.	0	0	0	0	0	0	0	0
SDM & DISTRIBUTION									
353.4	Land & Land Rights	341,008	0	234,887	0	0	0	0	0
354.4	Structures & Improvements	3,728	83	48,837	1,201	2,884	3,904	4,183	249
358.4	Dist. Accessories	2,444,784	81,120	3,307,734	82,883	538,208	788,887	787,128	26,242
351.4	Transm. & Distribution	20,888,983	532,250	31,582,267	788,888	3,112,050	4,888,174	4,884,838	(285,638)
353.4	Services	8,874,842	171,888	7,818,381	185,488	587,843	1,111,433	1,088,882	(28,771)
354.4	Meters & Meter Installation	3,843,533	81,888	4,714,381	117,888	723,283	1,018,287	1,178,884	194,527
355.4	Hydants	848,888	31,223	1,238,828	30,881	105,278	178,288	178,887	(7,701)
358.4	Other Plant & Misc.	11,447	286	83,523	1,558	13,142	18,838	17,358	1,823
GENERAL PLANT									
353.5	Land & Land Rights	0	0	0	0	0	0	0	0
354.5	Structures & Improvements	0	0	0	0	0	0	0	0
348.5	Office Furniture & Equipment	0	0	0	0	0	0	0	0
348.51	Computer Equipment	0	0	0	0	0	0	0	0
341.5	Transportation Equipment	0	0	0	0	0	0	0	0
342.5	Stems Equipment	0	0	0	0	0	0	0	0
343.5	Tools, Site & Garage	0	0	0	0	0	0	0	0
344.5	Laboratory Equipment	0	0	0	0	0	0	0	0
345.5	Power Operated Equipment	0	0	0	0	0	0	0	0
346.5	Communication Equipment	0	0	0	0	0	0	0	0
347.5	Miscellaneous Equipment	0	0	0	0	0	0	0	0
348.5	Other Tangible Plant	0	0	0	0	0	0	0	0
TOTAL		44,477,343	1,058,082	62,558,187	1,823,284	7,804,808	11,815,487	11,551,328	338,888

* Organizational Costs were retired in 1988

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ORG COIT / ACCUM D

PTY 1996

ACCUMULATED DEPRECIATION - SEWER

TOTAL IMPACT OF DEPRECIATION RECALCULATION

SEWER ACCUMULATED DEPRECIATION

Account No.	Account Description	Depreciation Rate	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			1988 Average Plant Balance	1988 Depreciation Expense	1987 Average Plant Balance	1987 Depreciation Expense	1988 Average Plant Balance	1988 Depreciation Expense	1988 Average Plant Balance	1988 Depreciation Expense
INTANGIBLE PLANT										
351.1	Organization	2.50%	57,888	80	64,823	1,800	77,888	1,947	93,838	2,348
352.1	Franchise	2.50%	1,800	2	1,829	38	1,888	38	39,819	515
368.1	Other Plant & Misc.	2.50%	0	0	0	0	0	0	0	0
COLLECTION PLANT										
353.2	Land & Land Rights		0	0	0	0	2,515	0	692,284	0
354.2	Structures & Improvements	2.50%	0	0	0	0	2,412	80	4,824	121
360.2	Collection Sewers - F	2.50%	1,090,162	1,686	1,303,847	47,378	1,828,582	48,484	2,648,357	81,194
361.2	Collection Sewers - G	2.50%	425,702	448	524,817	13,370	881,826	18,548	6,472,833	158,818
362.2	Special Collecting	2.50%	0	0	0	0	0	0	0	0
363.2	Sewers to Customers	2.50%	282,138	274	272,872	6,882	284,978	7,194	1,104,187	27,888
364.2	Flow Measuring Devices	2.50%	0	0	0	0	28	1	12,823	301
365.2	Flow Measuring Installation	2.50%	0	0	0	0	8	0	12	0
366.2	Other Plant & Misc. Equipment	2.50%	0	0	0	0	0	0	0	0
SYSTEM PUMPING PLANT										
353.3	Land & Land Rights		0	0	0	0	0	0	0	0
354.3	Structures & Improvements	2.50%	0	0	725	16	1,448	38	191,858	3,281
370.3	Receiving Works	2.50%	879,868	817	838,888	23,487	1,800,411	25,810	1,145,754	28,844
371.3	Pumping Equipment	2.50%	78,890	83	88,815	2,388	117,481	2,827	1,378,881	34,388
368.3	Other Plant & Misc. Equipment	2.50%	0	0	0	0	0	0	0	0
TREATMENT AND DISPOSAL PLANT										
353.4	Land & Land Rights		70,313	0	70,313	0	70,313	0	632,348	0
354.4	Structures & Improvements	2.50%	57,888	80	58,488	1,487	81,381	1,828	1,648,827	38,131
360.4	Treatment & Disposal	2.50%	826,828	848	838,877	13,884	834,725	13,388	2,058,348	81,408
361.4	Plant Sewers	2.50%	0	0	0	0	0	0	381,888	3,888
362.4	Outfall Sewer Lines	2.50%	2,814	3	2,810	73	4,887	113	88,411	2,325
368.4	Other Plant & Misc. Equipment	2.50%	0	0	0	0	488	12	22,888	874
GENERAL PLANT										
353.5	Land & Land Rights		0	0	0	0	0	0	0	0
354.5	Structures & Improvements		0	0	0	0	0	0	0	0
368.5	Office Furniture & Equipment		0	0	0	0	0	0	0	0
368.5.1	Computer Equipment		0	0	0	0	0	0	0	0
361.5	Transportation Equipment		0	0	0	0	0	0	0	0
362.5	Stores Equipment		0	0	0	0	0	0	0	0
363.5	Tools, Shop, & Garage		0	0	0	0	0	0	0	0
364.5	Laboratory Equipment		0	0	0	0	0	0	0	0
365.5	Power Operated Equipment		0	0	0	0	0	0	0	0
366.5	Communications Equipment		0	0	0	0	0	0	0	0
367.5	Miscellaneous Equipment		0	0	0	0	0	0	0	0
368.5	Other Tangible Plant		0	0	0	0	0	0	0	0
TOTAL			4,344,848	4,348	4,478,885	110,134	4,780,818	117,182	17,207,282	284,857

*Organizational Costs were retired in 1988

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SOURCE: SSU DEPRFC RECALL SCHEDULES
ADJ. TO BELIEV POINTS HAS PAGE CASE

29-3

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D#950495-WS

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PTY 1996

ACCUMULATED DEPRECIATION - SEWER

TOTAL IMPACT OF DEPRECIATION RECALCULATION

SEWER ACCUMULATED DEPRECIATION

Account No.	Account Description	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
		1990 Average Plant Balance	1990 Depreciation Expense	1991 Average Plant Balance	1991 Depreciation Expense	Beginning Accumulated Depreciation	12/31/91 Rebased Accumulated Depreciation (13+12+10+8+6+4+2)	12/31/91 MFR Accumulated Depreciation	Utility Adjustment to Beginning Point (15-14)
INTANGIBLE PLANT									
311.1	Organization	90,614	2,265	45,363	1,083	32,860	0	0	0
322.1	Furniture	25,265	630	121,549	3,838	13,441	17,706	17,726	22
383.1	Other Plant & Misc.	86	2	12,459	311	2,094	2,408	2,782	384
COLLECTION PLANT									
323.2	Land & Land Rights	898,888	0	785,118	0	0	0	0	0
354.2	Structures & Improvements	4,824	121	258,859	6,488	154,466	100,493	102,136	1,643
363.2	Collection Sewers - F	2,734,016	68,250	4,808,628	122,486	741,467	1,281,418	1,128,479	37,963
361.2	Collection Sewers - G	6,870,583	168,786	18,955,836	424,141	3,293,296	4,051,577	3,841,208	(110,169)
362.2	Special Collecting	0	0	0	0	0	0	0	0
363.2	Services to Customers	1,422,126	35,553	1,858,102	48,978	324,253	450,808	447,671	(2,838)
364.2	Flow Measuring Devices	38,378	994	84,158	2,104	967	4,357	24,923	20,371
365.2	Flow Measuring Installation	12	0	487	12	66	79	90	2
389.2	Other Plant & Misc. Equipment	4,384	110	18,872	497	1,174	1,780	2,281	501
SYSTEM PUMPING PLANT									
353.5	Land & Land Rights	0	0	14	0	0	0	0	0
354.5	Structures & Improvements	1,512	38	287,287	7,185	11,170	18,484	20,289	1,805
370.5	Receiving Wells	1,388,048	34,251	1,538,897	40,817	265,171	618,107	518,142	100,024
371.5	Pumping Equipment	1,810,356	47,739	2,785,413	89,863	865,846	1,063,395	1,184,754	171,359
389.5	Other Plant & Misc. Equipment	875	22	80,872	2,007	4,138	8,197	8,863	2,478
TREATMENT AND DISPOSAL PLANT									
353.4	Land & Land Rights	1,388,394	0	2,158,867	0	0	0	0	0
354.4	Structures & Improvements	1,882,820	47,073	3,298,208	82,455	606,865	775,898	817,630	42,004
363.4	Treatment & Disposal Plant Sewers	3,265,456	81,636	6,490,811	212,265	2,048,232	2,480,741	2,804,623	383,882
364.4	Outfall Sewer Lines	887,233	15,181	984,872	21,802	46,498	82,320	93,780	1,463
389.4	Other Plant & Misc. Equipment	964,598	24,115	2,376,867	58,417	50,087	138,022	183,448	37,429
GENERAL PLANT									
353.5	Land & Land Rights	0	0	0	0	0	0	0	0
354.5	Structures & Improvements	0	0	0	0	0	0	0	0
360.5	Office Furniture & Equipment	0	0	0	0	0	0	0	0
360.51	Computer Equipment	0	0	0	0	0	0	0	0
361.5	Transportation Equipment	0	0	0	0	0	0	0	0
362.5	Storage Equipment	0	0	0	0	0	0	0	0
363.5	Tools, Shop, & Garage	0	0	0	0	0	0	0	0
364.5	Laboratory Equipment	0	0	0	0	0	0	0	0
365.5	Power Operated Equipment	0	0	0	0	0	0	0	0
366.5	Communication Equipment	0	0	0	0	0	0	0	0
367.5	Miscellaneous Equipment	0	0	0	0	0	0	0	0
368.5	Other Tangible Plant	0	0	0	0	0	0	0	0
TOTAL		23,522,277	530,922	47,854,586	1,117,744	5,507,547	10,876,284	11,376,269	699,995

*Organizational Costs were retired in 1990

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007 1,085. +
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\\PARAS\FILING\BUILD_UP\ACCUM_DPRDEF_REC\SOEL_REC.XLS, 3/14/95

Source: SSU DEPREC. RECALL SCHEDULES
ADD TO: BELM POINTS MASS PACE CASE

29-3

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

CW

PTY 1996

AUDIT DISCLOSURE NO. 17

SUBJECT: FUTURE PLANT REMAINING IN UTILITY PLANT IN SERVICE

21. RES # 31

FACTS: The audit staff asked Southern States to reconcile its General Ledger water and sewer Utility Plant in Service balances as of 12-31-94, to those balances in the MFR's.

18-2

Southern States began its reconciliation by adding ^(A) \$34,908,326 of Plant Held for Future Use (Account 103) to booked Utility Plant in Service (Account 101). (See Exception No. 1.)

18-2

SSU then reduced ^(B) this balance by the future use portion relating to county plants \$1,387,592 and the land held for future use amount of \$437,839. The remaining amount reconciled with the SSU Filed Utility Plant in Service Accounts. (#1010)

OPINION: It appears as though there is \$33,082,895 of Plant Held for Future Use remaining in the SSU General Ledger amount which reconciled to the MFR Plant balances. (The future use portions of that reconciliation is extracted in the calculation below.)

FUTURE PLANT ONLY

Future Use Plant	1030	^(A) \$34,908,326
Less County Plants		
Future Use	1030	^(B) (1,387,592)
Future Use Land	1030	^(C) (437,839)
Total Remaining	1030	\$33,082,895

T = Feet

The FPSC Engineers assigned to review Future Use Plant should be aware that SSU feels that according to its classification there is \$33,082,895 of future plant in its filed UPIS balances.

COMPANY COMMENTS: Company may respond at a later date.

SSU
D#950495-WS

Doc Ref #31 SCHED.

PTY 1996

OW

**SOUTHERN STATES UTILITIES
1994
UTILITY PLANT IN SERVICE
MFR'S FPSC REGULATED TO GL TOTAL COMPANY
RECONCILIATION**

1

12/31/94 Balance per GL (Total Company)

1010	274,161,869	A
1030	34,908,326	B
Total Company Plant	309,070,195	

(A)
18-2 →

Less County Plants: (Hernando, Hillsborough, Polk)

1010 - Water & Sewer	30,864,863	I
1030	1,387,592	J
Total County Plant	32,252,455	

(B)
18-2 →

Total FPSC Regulated Plants 276,817,740

Reconciliation items: (see attached)

Water	41,142	C
Sewer	(196,585)	D
GP	(168,642)	E
	<u>(324,085)</u>	

GL Balances not picked up in MFR's (Plant 00001)

County & Gas portion of Allocated GP	(6,286)	F
1030 Land held for future use	(5,804,867)	G
	<u>(437,839)</u>	H
	<u>270,244,663</u>	

(C)
18-2 →

Balances per MFR's - FPSC ALL PLANTS (June 28 filing)

Vol III 5 of 6 1994 A-5(W)	149,079,749
Vol III 6 of 6 1994 A-6(S)	121,166,847
	<u>270,246,596</u>

Variance from MFR Historic Ending Balance to GL
Immaterial difference

1,933



Source: *PBC*

MFR vs GL UPLS RECONCILIATION

18-2

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

CC

PTY 1996

AUDIT DISCLOSURE 18

DRAFT

SUBJECT: ORGANIZATION COSTS

FACTS: Document Request No. 95, was dated September 26, was for Organization Cost removal documentation. Southern States provided the information to the audit staff on October 11, 1995.

29-4

The last day of field work was October 13, 1995.

DR#114 FOR DOCUMENTS

OPINION: The audit staff believes that the above is a violation of FPSC Rule No. 25-30.450 Audit Provision. (See Exception 10)

29-1

Due to time considerations, only a judgemental sample of two journal entries of the documentation supplied could be analyzed. The first was for the removal of \$20,080 of Organization Costs. Of that total, \$17,563 or 87.29% was transferred to other Rate Base accounts. \$1,009 or 5.02% went to Various Expenses and \$1,548 or 7.69% went to Acquisition Adjustment and Nonutility Expenses.

29-5

The second transaction analyzed consisted of a twelve-page journal entry to correct Organization Cost Accumulated Depreciation. A total of the regulated Accumulated Depreciation Account (#108.110) net reductions was taken. A total of the offsetting Accumulated Amortization of Acquisition Adjustment Account (#115.00) was taken. The following totals were accumulated from this journal entry for water and sewer combined.

29-7

Debit	# 108.110	\$152,709	{ <i>29-8 (A)</i>
Credit	# 115.000	(128,625)	{ <i>29-8 (B)</i>

Given the problems associated with these Journal Entries and the lack of time for analysis, it is recommended that this issue be reviewed further by the Commission.

COMPANY COMMENT: Company may respond at a later date.

DRAFT

Source: <i>AS - in notes</i>									
									<i>29-4</i>

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS

OW

PTY 1996

FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT

TO: JUDY KIMBALL
FILITY: SSU
FROM: CHARLESTON WINSTON
(AUDIT MANAGER)

ROBERT DODRILL
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: 114
AUDIT PURPOSE: RATE CASE D# 950495-WS

DATE OF REQUEST: 10-11-95 (3:30)

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: _____
(DATE) 10-13-95

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION: ORGANIZATION COST REMOVAL

1) PLEASE PROVIDE THE JOURNAL ENTRY OR OTHER DOCUMENTATION FOR THE REMOVAL OF THE ORGANIZATION COSTS FROM THE 321.1 AND 351.1 ACCOUNTS.

2) WERE ANY OF THESE COSTS RETIRED VIA ACCUMULATED DEPRECIATION? DOCUMENTS IN BINNEY# Box
Doc REQ # 17433

TO: AUDIT MANAGER Charleston Winston DATE: 10/13/95

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball, ASST VP, Finance
(SIGNATURE AND TITLE OF RESPONDENT)

DISTRIBUTION:
White: Utility Complete and Return to Auditor
Pink: Audit File Copy
Blue: Utility Retain

10-11-95
PSC/AFA-6 (Rev.2/95) 1673

<u>VR #114</u>	<u>29-4</u>
	<u>1</u>

SSU
D#950495-WS

K.D.
CW
12/95

PTY 1995

FILE : ORG CALC
Quick Org Cost Audit for D#950495-WS

R Dodrill

When Southern States did provide workpapers supporting Organization Cost removal, there was only time to sample the information that was finally provided. The first Journal Entry to remove \$20,080 Org Costs is analyzed below

Note that the debits are transferred primarily to other rate base accounts and credits (A/D) below are transferred below the line

ORGANIZATION COST TRANSFER SAMPLE

		<i>29-6</i>	
302.100	Franchise and Concents	14,533.04	
303.300	Treatment Land & Rights	2,990.59	
105.07	Const. Work in Progress	39.37	
	Rate Base Debits	17,563.00	87.29%
620.3 etc	Various Expenses	1,009.18	5.02%
114.20	Acq Adjustment		
426.11	Nonutility Expenses	1,548.00	7.69%
		20,120.18	100.00%
101.10	Organization Costs	(20,120.18)	100.00%

A later journal entry to correct Accum. Deprec. was also briefly looked at. An adding machine tape (yes we still do this stuff) of the net debits and credits to REGULATED ACCUMULATED DEPRECIATION disclosed that the net entry was a CHARGE to A/D \$152,709 and a Cr to Accum. Amort. of Acq. Adj. \$128,652 Water Sewer Combined.

A complete audit of the D/R 114 workpapers would have been possible if Document Request #95 would have been provided on time. It should be noted that no Original documents were provided and **EXPENSING of these charges remains a possibility**

<i>Source: AS REF.</i>	<i>29-5</i>
THE WALTER LATHAM COMPANY 708 945-8787	

SOURCE: AK

JOURNAL ENTRY TRANSACTION FORM

REFERENCE NUMBER 36515

Prepared By mdf ENTERED BY dc

MONTH Dec 91

DESCRIPTION XFER CUST FROM Org Acct

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
106	301100	<516.10>	915777	437	301100	<512.15>	915777
	302100	36.10	915777		302100	492.15	915777
106	620300	20.00		439	620300	20.00	
121	301100	<198.32>	915777	440	301100	<33.15>	915777
121	302100	198.32		446	302100	33.15	
122	301100	<159.46>		447	301100	<105.16>	
122	302100	159.46		447	302100	105.16	
210	301100	<6.55>		448	301100	<51.15>	
210	303300	6.55		448	302100	51.15	
336	301100	<75.00>	915777	471	301100	<6.55>	
336	620300	75.00		471	303300	6.55	
438	301100	<269.15>	915777	472	301100	<192.00>	
	302100	249.15	915777	472	302100	192.00	
438	620300	20.00		473	301100	<1387.55>	915777
2210		1515.87		63-8			
		70.12					

IF NOT ZERO OUT OF BALANCE

TO FRANCHISE

DR _____
CR _____

Total Plants _____



PAGE 1 OF 136

APPENDIX Acct 114

PTV 1996

SSU
DH#950495-WS

111

PTY 1996

APPENDIX Addit 114

PAGE 2 OF 130

JOURNAL ENTRY TRANSACTION FORM

REFERENCE NUMBER _____

Prepared By umc

ENTERED BY _____

DATE Dec 91

RECEPTION

XFER COST FROM Org Act

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
473	302100	387.55	9152777	574	301100	<3572.38>	9152777
473	426110	1000.00			302100	2855.88	
560	301100	<3.78>	9152777		303300	16.50	9152777
566	302100	3.78			620300	200.00	
566	301100	<75.00>		574	426110	500.00	
566	302100	75.00		575	301100	<648.41>	9152777
567	301100	<10.00>	9152777	?	302100	460.91	
567	620300	10.00			303300	187.50	
570	301100	<763.92>	9152777	575	301100	<190.57>	
570	302100	252.42		673	302100	190.57	
570	303300	511.50		679	301100	<270.04>	
573	301100	<402.12>		?	302100	225.86	9152777
?	302100	173.40		679	675000	411.8	
573	303300	228.72	9152777	772	301100	<150.00>	9152777
761		26.37					
		212.00					

IF NOT ZERO OUT OF BALANCE

TO FRANCHISES



DR _____

CR _____

Total Plants _____

SOURCE PBC

SSU
D#950495-WS

PTY 1996

DUJ

APPENDIX Grid 1 114

PAGE 3 OF 130

JOURNAL ENTRY TRANSACTION FORM

REFERENCE NUMBER _____ Prepared By YNU ENTERED BY _____ MONTH Dec 91

RECEPTION XFER COST FROM ORG. ACCT

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
772	302100	150.00	9152227	985	301100	<22630>	9152227
773	301100	<19485>		985	302100	22630	
773	302100	194.85		986	301100	<23840>	
782	301100	<16197>		986	302100	23840	
782	302100	161.97		987	301100	<126986>	
783	301100	<16197>			302100	977.30	
783	302100	161.97		987	303300	23250	
784	301100	<1487>		988	301100	<30186>	
784	302100	148.7			302100	25280	
886	301100	<493.17>			303300	2100	9152227
	302100	534.7		988	110000	48.00	
986	307200	437.75		1054	301100	<265.03>	9152227
984	301100	<152.00>		1054	302100	265.03	
984	302100	152.00	9152227	1094	301100	<134.37>	9152227
116.2		1326.85		1057			
		<110.50>					

IF NOT ZERO OUT OF BALANCE

TO FRANCHISES

DR _____
CR _____
Total Plants _____



Source: AK

29-6

4/3

SOURCE: AK

JOURNAL ENTRY TRANSACTION FORM

REFERENCE NUMBER _____

Prepared By ymd

ENTERED BY _____

DATE Dec 91

DESCRIPTION XFER COST FROM ORG Accr

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
1094	105670	37.37	871048c	1429	302100	400.00	9152722
?	303300	75.00	9152722	1429	303200	375.00	
1094	x 620300	20.00		1518	301100	<152999>	
1095	301100	<193.20>	9152722	1518	302100	1529.99	
1095	x 302100	193.20		1600	301100	<500.00>	9152722
1115	301100	<95.37>		1600	620300	500.00	
1115	x 302100	95.37		1701	301100	<75.00>	9152722
1117	301100	<153.36>		1701	302100	75.00	
1117	x 302100	153.36		1702	301100	<75.00>	
1118	301100	<579.66>		1702	302100	75.00	
1118	x 302100	579.66		1801	301100	<757.69>	
1427	301100	<984.46>		?	302100	175.03	
1427	302100	984.46		1801	303300	582.66	
1429	301100	<1275.00>	9152722	1802	301100	<502.11>	9152722
16455		2140.42		53153			
		<3571.21>					

IF ZERO OUT OF BALANCE

DR _____
CR _____

Total Plants _____



PTY 1996

SSU
DM950495-WS

EXHIBIT RFD - 7 (PAGE 7 OF 21)

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ATTENDIX AVOC 114

29-6

sk

SSU
D#950495-WS

PTY 1996

ms

APPENDIX ADPT .111

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JOURNAL ENTRY TRANSACTION FORM

REFERENCE NUMBER _____ Prepared By LMW ENTERED BY _____ DATE Dec 91

RECEPTION VFAP COSTS FROM ORG ACCT

PLANT #	CL NUMBER	AMOUNT	NO NUMBER	PLANT #	CL NUMBER	AMOUNT	NO NUMBER
1802	302100	173.46	915777	2401	303300	7.78	915777
1802	303300	228.71	915777				
1802	620300	100.00					
1901	301100	<21.00>	915777				
1901	303300	21.00					
2202	301100	<300.00>					
2202	302100	300.00					
2301	301100	<16.50>					
?	302100	6.00					
2301	303300	10.50					
2302	301100	<6.00>					
2302	302100	6.00					
2401	301100	<305.41>					
2401	302100	297.63	915777				
		114321					
		<618.91					

IF NOT ZERO OUT OF BALANCE

DR. 20080.81
 CR. 20080.81
 Total Plants 123660



SOURCE: PK

29-6

5/5

SSU
D#950495-WS

DA

APPENDIX APT. 114

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3772
<3713>
<241>
182

14% 764
<124,706>
<111,156>
<182>
<600>

11.
Acq. Adj.
Depn (GP)
Interco Rec.
Unmort Debt
Issue Cost

\$24,156 + \$241 = \$24,397

JOURNAL ENTRY TRANSACTION FORM

REFERENCE NUMBER ADT68 Prepared by [Signature] ENTERED BY [Signature] MONTH Dec '91
DESCRIPTION TRANS. DEPR. FROM ORIG TO PROPER ACCT - W

1112

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
104	108110	75.03 ①	3011	210	108110	1474.59	3011
104	115000	<10.40>		210	115000	<765.16>	
105	108110	71.95 ①	3011	0L	403000	<1.62>	
105	115000	<9.80>		212	108110	460.25	3011
106	108110	6531.76 ①	3011	212	115000	<411.23>	
	115000	<1975.86>		214	108110	65.95	3011
106	108110	<22.86> ①	3021	214	115000	21.06 ①	
0L	403000	<12.41>		215	108110	259.64	3011
121	108110	730.93 ①	3011	215	115000	<257.04>	
	115000	<586.35>		323	108110	725.64	3011
121	108110	<77.26> ①	3021	323	15000	<477.60>	
122	108110	2522.92 ①	3011	324	108110	123.55	3011
	115000	<2157.35>		324	15000	<19.37>	
123	108110	<115.80> ①	3021	325	108110	79.75	3011
1466		9932.61		322		2189.37	
		<4968.07>				<1933.10>	

IF NOT ZERO OUT OF BALANCE

① SEE TAPE
ETC. _____

OR _____
CR. _____

Total Plants _____

PBC

Am

Source: PBC

29-7

SSU
D#950495-WS

AW

FORM 1002

APPROVED 4/27/91

OFFENSE Add 7 114

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2/12
Dec '91

JOURNAL ENTRY TRANSACTION FORM

Prepared by Land Op ENTERED BY _____

MONTH

REFERENCE NUMBER _____

DESCRIPTION TRANS DEPR FROM ORG TO PROPER Acd - W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
325	115000	<26.93>		438	108110	1020.87	3011
326	108110	69.85	3011		115000	<807.00>	
326	115000	<23.85>		438	108110	<61.15>	3021
330	108110	179.36	3011	01	403000	<4.90>	
330	115000	<11.41>		439	108110	186.7.11	3011
332	108110	655.66	3011		115000	<1540.93>	
332	115000	<119.10>		439	108110	<96.90>	3021
334	108110	85.17	3011	01	403000	<3.92>	
334	115000	<26.14>		440	108110	34.07	3011
335	108110	607.60	3011	440	115000	<6.79>	
335	115000	<349.01>		442	108110	35.99	3011
336	108110	36.09	3011	442	115000	<1.01>	
336	115000	3.21		443	108110	51.62	3011
01	403000	<10.79>		443	115000	<2.08>	
4312		1636.94		5283		3009.66	
		<577.23>				<2524.68>	

IF NOT ZERO OUT OF BALANCE

DR _____
CR _____

Total Plants _____

Source: P/C

29-7

Source: PLC

JOURNAL ENTRY TRANSACTION FORM

3/12

MONTH Dec '91

REFERENCE NUMBER _____

Prepared by WMD jr

ENTRIED BY _____

DESCRIPTION

TRANS DEPR FROM ORG TO proper Acct W

PLANT #	GL NUMBER	AMOUNT	WO NUMBER	PLANT #	GL NUMBER	AMOUNT	WO NUMBER
444	108110	260.09	3011	471	115000	<370.66>	
444	115000	<234.42>		01	403000	<1.56>	
446	108110	830.79	3011	472	108110	1095.43	3011
?	115000	<809.94>			115000	<1044.49>	
446	108110	<7.48>	3021	472	108110	<49.95>	3021
447	108110	1227.26	3011	473	108110	1978.51	3011
?	115000	<1115.58>			115000	<1638.13>	
447	108110	<29.33>	3021	473	108110	<92.47>	3021
448	108110	1038.30	3011	01	403000	<238.74>	
?	115000	<996.66>		551	108110	73.15	3011
448	108110	<12.04>	3021	551	115000	<25.13>	
470	108110	390.09	3011	552	108110	126.82	3011
470	115000	<237.60>		552	115000	<37.42>	
471	108110	432.16	3011	553	108110	176.11	3011
6322		4178.69		6067		<3198.55>	
		<3443.05>				3450.02	

IF NOT ZERO OUT OF BALANCE

DR. _____

CR. _____

Total Plants _____

SSU DW950495-WS

WMD

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APPENDIX Part 1 114

SSU
DH950495-WS

APPENDIX
Sheet 114

PAGE 74 OF 136

4/12

Dec '91

JOURNAL ENTRY TRANSACTION FORM

Prepared by Wm J ENTERED BY _____

MONTH

REFERENCE NUMBER

DESCRIPTION

TRANS NEPR FROM ORIG TO proper Acc. - W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
533	115000	<66.117		562	108110	67.09	3011
535	108110	65.09	3011	562	115000	<37.827	
535	115000	<28.167		564	108110	70.70	3011
536	108110	50.28	3011	564	115000	<8.477	
536	115000	<35.497		565	108110	31.69	3011
537	108110	119.17	3011	565	115000	<27.927	
537	115000	<28.497		566	108110	172.12	3011
538	108110	85.65	3011	7	115000	<102.487	
538	115000	<28.057		566	108110	<7.667	3021
539	108110	77.71	3011	567	108110	228.05	3011
539	115000	<35.197		567	115000	<155.287	
560	108110	6169.26	3011	01	403000	<1.987	
560	115000	<2299.287		570	108110	2350.27	3011
7803	108110	<1.237	3021	7353	115000	<1898.557	
		<2522.007				<5540.167	
		6567.16				2919.92	

IF NOT ZERO OUT OF BALANCE

DR. _____
CR. _____

Total Plants _____

THE VALTEC COMPANY
7301 JAC ST

Source: P/C

29-7

JOURNAL ENTRY TRANSACTION FORM

5/12
Dec '91

REFERENCE NUMBER _____

Prepared by WMD

ENTERED BY _____

DESCRIPTION

TRANS DEPR FROM ORIG TO proper Acc - W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
570	108110	<100.12>	3021	575	108110	<18.07>	3021
01	403000	<202.59>		01	403000	<7.36>	
573	108110	1418.32	3011	578	108110	82.03	3011
2	115000	<1186.28>		578	115000	<82.03>	
573	108110	<59.29>	3021	673	108110	3102.84	3011
01	403000	<78.15>	3031	673	115000	<2754.39>	
574	108110	2692.63	3011	673	108110	<82.23>	3021
2	115000	<1931.42>		675	108110	299.36	3011
574	108110	<2442.13>	3021	7	115000	<89.72>	
01	403000	<2.42>		675	108110	<37.09>	3021
01	403000	<30.97>		679	108110	1221.74	3011
01	403000	<77.28>		679	115000	<1148.19>	
575	108110	364.38	3011	01	403000	<5.99>	
575	115000	<335.16>		772	108110	1.88	3011
5166		4445.917		7907		<4335.07>	
		4475.33				4707.85	

IF NOT ZERO OUT OF BALANCE

DR. _____
CR. _____

Total Plants _____

Source: PWC

29-7

Source P/C

JOURNAL ENTRY TRANSACTION FORM

6/2
MONTH Dec '91

REFERENCE NUMBER _____ Prepared by WMD ENTERED BY _____

DESCRIPTION TRANS DEPR. FROM ORIG TO proper Acct - W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
772	108110	<1.887	3021	784	108110	962.97	3011
773	108110	907.06	3011	784	115000	<910.977	
773	115000	<842.027		784	108110	<3.957	3021
773	108110	<46.447	3021	886	108110	3235.23	3011
780	108110	313.17	3011	886	115000	<922.047	
786	115000	<159.467		886	108110	<17.477	3021
781	108110	658.57	3011	01	403000	<143.647	
781	115000	<283.197		887	108110	2834.76	3011
782	108110	782.37	3011	888	115000	<1560.257	
782	115000	<720.487		884	108110	1334.43	3011
782	108110	<17.997	3021	7	115000	<1256.507	
783	108110	1489.34	3011	984	108110	<25.897	3021
783	115000	<1429.477		985	108110	421.89	3011
783	108110	<20.857	3021	985	115000	<378.737	
10908		<3521.727		11709		8789.28	
		4150.51				5219.547	

IF NOT ZERO OUT OF BALANCE

OR _____

CR. _____

Total Plants _____

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APPENDIX 114

Source: PLC

JOURNAL ENTRY TRANSACTION FORM

7/10
Dec '91

REFERENCE NUMBER _____ Prepared by Wendy ENTERED BY _____

DESCRIPTION TRANS. DEPR FROM ORIG TO proper Acc. - W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
485	108110	<22.877>	3021	940	108110	120.54	3011
986	108110	292.61	3011	990	115000	<8.68>	
Y	115000	<245.59>		992	108110	81.55	3011
986	108110	<22.18>	3021	992	115000	<7.21>	
987	108110	21505.56	3011	993	108110	100.00	3011
1	115000	<4700.08>		993	115000	<8.22>	
987	108110	<184.73>	3021	1054	108110	233.36	3011
01	403000	<44.15>		2	115000	<166.57>	
488	108110	907.21	3011	1054	108110	<216.3>	3021
2	115000	<805.78>		1094	108110	7304.13	3011
988	108110	<75.21>	3021	1094	115000	<6844.86>	
01	403000	<6.26>		01	403000	<35.07>	
989	108110	9694.38	3011	2	403000	<9.19>	
989	115000	<9637.18>		01	403000	<18.37>	
11848		<152111.03>		11303		7839.58	
		15399.76				<1119.79>	

IF NOT ZERO OUT OF BALANCE

DR. _____
CR. _____

Total Plants _____

FORM 1004

EXHIBIT RFD - 7 (PAGE 15 OF 21)
SSU
D#950495-NS

APPENDIX Aport 114
PAGE 77 OF 136

SSU
DW950495-NS

PTV 1006

APPENDIX ADPT 114
APPENDIX ADPT 114

PAGE 78 OF 136

8/12

DATE Dec '91

JOURNAL ENTRY TRANSACTION FORM

Prepared by WMD gfr ENTERED BY _____

REFERENCE NUMBER _____
DESCRIPTION TRANS NEPR FROM ORIG TO proper Acct - W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
1095	108110	800.12	3011	1298	108110	834.38	3011
1095	115000	<718.75>		1298	115000	<794.83>	
1095	108110	<25.12>	3021	1427	108110	829.59	3011
1115	108110	658.53	3011	1	115000	<472.53>	
1	115000	<567.78>		1427	108110	<141.69>	3021
1115	108110	<18.31>	3021	1429	108110	9097.64	3011
1117	108110	1125.15	3011	1	115000	<6690.11>	
1	115000	<825.64>		1429	108110	<506.16>	3021
1117	108110	<33.30>	3021	01	403000	<210.747>	
1118	108110	516.48	3011	1518	108110	15856.26	3011
1	115000	<464.37>		1	115000	<14210.19>	
1118	108110	<51.95>	3021	1518	108110	<553.24>	3021
1279	108110	1941.33	3011	1600	108110	3671.83	3011
1279	115000	<1799.61>		1600	115000	<3430.59>	
15893		5041.61		19411		30,289.70	
		<4504.73>				<27010.08>	

IF NOT ZERO OUT OF BALANCE

DR. _____
CR. _____

Total Plants _____

THE WALTER LATHAM COMPANY (781) 944-8787

Source PLS

29-7

Source P/S

JOURNAL ENTRY TRANSACTION FORM

9/12
DATE Dec '91

REFERENCE NUMBER _____ Prepared by Wendy ENTERED BY _____

RECEPTION TRANS DEPR FROM ORG TO proper Acct - W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
1600	403000	<205.62>		1801	108110	<31.74>	3021
1601	403000	<35.62>		01	403000	<106.41>	
1601	108110	167.94	3011	1802	108110	1240.75	3011
1601	115000	<1167.94>			115000	<883.28>	
1602	108110	12.50	3011	1802	108110	<81.67>	3021
1602	115000	<12.50>		01	403000	<107.69>	
1701	108110	225.26	3011	01	403000	<117.03>	
	115000	<111.75>		1901	108110	947.71	3011
1701	108110	<28.99>	3021	1901	115000	<785.26>	
1702	108110	1545.44	3011	01	403000	<3.86>	
	115000	<1049.66>		1902	108110	1256.39	3011
1702	108110	<48.84>	3021	1903	115000	<1234.40>	
1801	108110	6222.55	3011	2201	108110	5434.51	3011
1801	115000	<5734.70>		2201	115000	<5367.67>	
23417		<7395.62>		19219		<10649.01>	
		8173.69				888.29	

IF NOT ZERO OUT OF BALANCE

OR _____
CR. _____

Total Plants _____

PTV 1996

SSU
D#950495-W5

EXHIBIT RFD - 7 (PAGE 17 OF 21)

APPENDIX PLANT 114
PAGE 7 OF 13

SSU
DH950495-WS

Ad

PTY 1996

APPENDIX *Addit* 114

PAGE 80 OF 136

10/12
DATE Dec '91

JOURNAL ENTRY TRANSACTION FORM

Prepared by Wendy J ENTERED BY _____

REFERENCE NUMBER _____

DESCRIPTION TRANS DEPR FROM ORIG TO proper Acct-W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
2203	108110	19805.08	3011	2501	108110	3332.54	3011
	115000	<19692.19>		2111	115000	<315981.3>	
2202	108110	<101,017>	3021	01	403000	<15048457>	
2301	108110	299.70	3011	335	115000	21.997	
	119000	<289.45>		784		296.407	
2301	108110	<.36>	3021	985		<134.49>	
01	403000	1.637		1118		278.277	
2302	108110	156.28	3011	1000		<102.377>	
	115000	<134.20>		1702		<32.13>	
2302	108110	<.36>	3021	2302		<18.077>	
2401	108110	938.11	3011	2101	115000	<64.237>	
2101	115000	<725.91>		1000	115000	102.37	
1101	108110	<89.40>	3021	01	115000	<102.377>	
01	403000	<7.35>		1783	181000	<517.161>	
27620		2199.17		1783		19582	
		210358.6				<19358.597>	

IF NOT ZERO OUT OF BALANCE

DR _____
CR _____

Total Plants _____

Source: P15
THE WALTER LATHAM COMPANY (726) 464-877
29-7

SSU
D#950495-125

PTY 1996

APPENDIX ADOT 114
PAGE 81 OF 136

JOURNAL ENTRY TRANSACTION FORM

11/12
MONTH Dec '91

REFERENCE NUMBER _____ Prepared by Wendy ENTERED BY _____

DESCRIPTION TRANS DEPR FROM ORG TO proper Acc-W

PLANT #	GL NUMBER	AMOUNT	NO NUMBER	PLANT #	GL NUMBER	AMOUNT	NO NUMBER
01	108110	18.07	3011	01	403000	<1.99>	
784	108110	<62.20>	3001			<1.99>	
1409		<21.06>	3001			<1.99>	
1000	108110	<86.33>	3001			<1.99>	
01	403000	<457.73>				<9.99>	
01	403000	<324.08>				<12.06>	
		<1.99>				<5.99>	
		<1.99>				<34.10>	
		<1.99>				<5.99>	
		<1.99>				<1.99>	
		<1.99>				<1.99>	
		<1.99>				<3.96>	
		<1.99>				<3.96>	
01	403000	<1.99>		01	403000	<1.99>	
3824				14			

IF NOT ZERO OUT OF BALANCE

DR. _____
CR. _____

Total Plants _____

107
1070321

THE WALTER LATHAM COMPANY
(726) 345-8727

Source P/C

29-7

CREDITS TO #115 0.*
 PALES 71-82 10.40+
 DR# 114 9.80+
 1,975.86+
 586.35+
 2,157.35+
 2,765.16+
 134.20+
 725.91+
 6,159.81+
 6,159.81-
 3,159.86+
 1.99+
 96.40+
 134.49+
 78.27+
 102.37+
 32.13+
 18.07+
 64.23+
 128,625.54*
 CREDITS

(B)

PTY 1996

NET DR/CR TO A/D
 PALES 71 TO 82 0.*
 OF D/R #114 0.*

75.05+
 71.95+
 6,531.76+
 22.86-
 730.93+
 77.26-
 2,522.92+
 115.80-
 1,474.59+
 460.25+
 65.95+
 259.64+
 725.64+
 123.55+
 79.75+
 69.85+
 179.36+
 655.66+
 85.17+
 607.60+
 36.09+
 1,020.87+
 61.15-
 1,867.11+

Tape of Required
 Accn Debit #108.110
 ENTRIES ON J/F SIS W/P 29-6

Tape of Below-the-
 Line Accn Acq of
 Acg Amt from
 JE ADJCS ON
 W/P 29-7

Source: PSC Award as Ref.

ENGINEERING MODELS FOR HYPOTHETICAL COMPANY

EXHIBIT RJC-3 (page 1 of 1)

	<u>PUMP & CHLORINATE</u>	<u>GREENSAND FILTRATION</u>	<u>AERATION AND/OR STORAGE</u>	<u>LIME SOFTENING</u>	<u>REVERSE OSMOSIS</u>
RATE BASE	\$ 134,128	\$ 358,151	\$ 574,867	\$ 956,067	\$ 1,991,005
OPERATING REVENUES	140,093	193,780	219,204	350,712	687,615
- OPERATING EXPENSES	<u>125,782</u>	<u>155,566</u>	<u>157,866</u>	<u>248,700</u>	<u>475,176</u>
= OPERATING INCOME	\$ 14,311	\$ 38,214	\$ 61,338	\$ 102,012	\$ 212,439
RATE OF RETURN	10.67%	10.67%	10.67%	10.67%	10.67%
<u>RATES USING 40/60 SPLIT</u>					
BASE FACILITY	\$ 9.34	\$ 12.92	\$ 14.61	\$ 23.38	\$ 45.84
GALLONAGE PER 1,000/GAL	\$ 1.32	\$ 1.82	\$ 2.06	\$ 3.29	\$ 6.46
AVERAGE MONTHLY BILL	\$ 23.39	\$ 32.30	\$ 36.54	\$ 58.40	\$ 114.61
<u>FACTOR FROM PUMP & CHLORINATE</u>	1.0000	1.3806	1.5621	2.4967	4.8995

DOCKET 950495-WS

EXHIBIT NO. 191

CASE NO. 96-04227

Florida Public Service Commission

Audit Report

Projected Test Year End

December 31, 1996

Field Work Completed

October 13, 1995

Southern States Utilities, Inc.

Apopka, Florida

Orange County

Rate Case

Docket Number 950495-WS

Audit Control Number 95-226-3-1



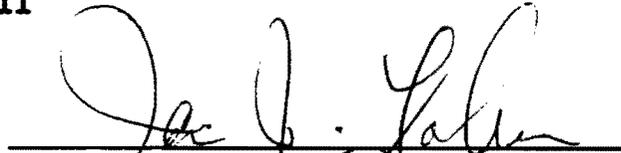
Charleston J. Winston
Audit Manager

Audit Staff

- Robert F. Dodrill
- Ronald Mayes
- Robert Moore
- Jeffery A. Small
- Yen Ngo

Minority Opinion

Yes ___ No R
 Yes ___ No for
 Yes ___ No for
 Yes ___ No for
 Yes ___ No for



Ian J. Forbes
Regulatory Analyst Supervisor
Orlando District Office

FL PUBLIC SERVICE COMMISSION

DOCKET NO. 950495 EXHIBIT NO. 191

COMPANY/ WITNESS: FPSC / Winston

DATE: 1/27/96

DOCUMENT NUMBER-DATE

02376 FEB 26 96

FPSC-RECORDS/REPORTING

DOCUMENT NUMBER-DATE

10867 OCT 31 95

FPSC-RECORDS/REPORTING

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I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the appended exhibits as filed by Southern States Utilities, Inc. to support the Rate Case Docket Number 950495-WS for the projected twelve-month period ending December 31, 1996. Also, the Company's books and records were examined to determine compliance with Commission directives and to disclose any transactions or events that may influence Commission decision.

SCOPE LIMITATION: Due to untimely response from the Company, the Audit Staff could not properly audit Organization Costs. See Audit Exception Number 10.

There are confidential work papers associated with this report.

The last day of field work was October 13, 1995, and the audit exit conference was held on October 26, 1995.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: Subject to the procedures described in Section II, the Company books and records for the projected test year ending December 31, 1996, are maintained in substantial compliance with Commission directives.

SUMMARY FINDINGS:

Exceptions:

1. The MFRs did not allow for expedient review.
2. The Company should reduce Marco Island Water land account by \$5,529,200 or \$7,323,200 using the direct acreage method or the lump sum purchase method of allocation, respectively.
3. The Company should reclassify \$886,409 in deferred debits to nonutility expenses related to abandoned projects.
4. Due to the miscalculation of purchased water adjustment, the projected 1996 adjustment should be increased by \$9,648 and Regulatory Assessment Fees should be decreased by \$3,116.

5. The Company should be required to reduce 1996 O & M Expenses by \$208,776 because they are for shareholder services.
6. The Company incorrectly wrote off an abandoned project for \$19,143 to Contractual Services.
7. Accumulated Amortization of CIAC is overstated by \$10,451.
8. An abandonment project at Deltona Lakes was misclassified to Contractual Services for \$12,491 in 1996.
9. An abandonment project at Spring Hill Wastewater Treatment Plant was misclassified to Contractual Services for \$15,099 in 1996.
10. Due to untimely response from the Company, the Audit Staff could not properly audit Organization Costs.

Disclosures:

1. The Company has condemnation projects at Deltona Lakes and Marco Island.
2. Lehigh's land additions, representing Future Plant in Service, should be removed from current rate making consideration in the amounts of \$120,840 and \$260,562 from Water and Wastewater, respectively.
3. Audit staff could not determine if Sugarmill Woods Wastewater CIAC is properly stated.
4. Audit staff believes that the current balance for Hillsborough/Seaboard rate base may be overstated because of the effects of a water purchase agreement.
5. The Company classified the hauling of treated effluent as recurring rather than explore a more cost effective method.
6. The Company was unable to explain its consultant methodology for the 1996 conservation elasticity adjustment.
7. The Company included conservation expenses of \$524,425 in its 1996 O & M Expenses; however, it has no Commission-approved conservation program.
8. Audit staff believes that the Company's budgeted purchased power for Deltona Lakes is overstated by \$56,916.
9. The Company should be required to reduce 1996 O & M Expenses by \$22,753 for erroneously including purchased water amounts in the filing.

10. The Company's "Hurricane Preparedness Program" expenses should be classified as non-recurring; therefore, they should be reduced by \$7,736.
11. Audit staff believes that the amount budgeted for the Company's Hepatitis Immunization program represents non-recurring O & M expense and should be reduced by \$14,508 for 1996.
12. The Company should be required to remove Accrued Interest Receivable from its Working Capital Allowance for \$167,966 in 1996.
13. The Company should be required to reduce its amortization expense \$78,240 and increase its unamortized balance \$117,331 in 1996 for the miscalculation and the inclusion of AFUDC in its Seaboard Wastewater Plant Abandonment.
14. The Company's Preliminary Survey and Investigations 1996 balance should be reduced \$1,849,076 based on the wide variance between actual and projected amounts and improper documentation.
15. The Company's salary attrition rate used to determine 1996 wages was incorrectly stated in the filing resulting in an overstatement of \$16,764.
16. The Company incorrectly estimated the new president's annual salary.
17. The Company included "Plant Held for Future Use" in Utility Plant in Service accounts for \$33,082,895.
18. The Company violated Commission rules concerning the untimely response to Document Request No. 95 that requested information on the Company's organizational cost.

II. Audit Scope

The opinions contained in this report are based on the audit work described below. When used in this report, Compiled means that audit work includes:

COMPILED - means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and except as otherwise noted, performed no other audit work.

EXAMINED - means that the audit staff reconciled exhibit amounts to the general ledger; traced general ledger account balances to subsidiary ledgers; applied selective analytical review procedures; tested account balances to the extent further described; and disclosed any error, irregularity, or inconsistency observed.

RATE BASE

PLANNING: Read direct testimony of Judy Kimball, Scott Viermia and Morris Bencini. Attended initial D#950495-WS audit meeting at SSU headquarters.

UTILITY PLANT IN SERVICE: Calculated Southern States Utilities (SSU) Rate Base materiality thresholds for this audit. Materiality was calculated using filed rate of returns and standard corporate income tax rates. Scheduled both water and sewer year-end plant balances per plant for 1993 through projected 1996. Sorted plant additions per plant by year for sampling purposes. Requested material CWIP projects for detailed review.

LAND ADDITION: Read documents supporting \$9.2 million property acquisition costs associated with Collier condemnation. Requested and read five appraisals of condemned Collier Property Pulled land addition detail for sampling to a separate schedule.

DEFERRED DEBITS: Obtained and read an agreement between SSU, City of Naples and Florida Cities Water Company. Read documentation of water source acquisition efforts in an attempt to gain an understanding of the overall necessity for expenditures. Requested and read associated studies and reports for the same reason.

CONSTRUCTION WORK IN PROGRESS: Requested and read the SSU CWIP Practice and Procedures. Verified CWIP direct payroll charges D/R #102. Verified AFUDC Computation methodology D/R #102.

ACCUMULATED DEPRECIATION and DEPRECIATION EXPENSE: Requested that SSU employees provide depreciation workpapers and reconciled MFR Accumulated Depreciation with the General Ledger.

PLANT TOUR TO COLLIER COUNTY - September 11 and 12, 1995: Interviewed City of Naples Utility Director Dan Mercer obtaining information about interconnect project and outstanding agreements. Visited Collier County Water manager's office about outstanding agreements. Picked up three agreements between Collier County and SSU or Deltona. Interviewed Marco Island homeowner for insight into Marco utility service. Interviewed a principal of TGL Enterprises, a Collier County farming partnership. Researched Marco Island condemnation newspaper articles at Collier Public Library. Visited Collier County appraiser's office to verify property in Collier County with Property Tax invoices found in Audit Workpapers. (TAXES OTHER THAN INCOME section) Also obtained land maps and verified recorded agreements and condemnation order.

CIAC (CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION) AND AMORTIZATION: Compiled the Company's CIAC and Amortization schedules. Reviewed the Company's General Ledgers, Cash Receipts Ledgers, and Billing Registers for CIAC addition.

WORKING CAPITAL ALLOWANCE: Recomputed Working Capital Allowance using the 1/8 of Operation and Maintenance Expenses method for 1994 and 1995. Recomputed the Balance Sheet Method for Working Capital Allowance for 1996. Judgementally sampled the 1996 amounts for the proper amount, inclusion, and period.

NET OPERATING INCOME

REVENUES: Compiled the revenues for 1994. Recomputed the revenues for 1995 and 1996. Recomputed a sample of the revenues per tariffs.

OPERATIONS AND MAINTENANCE EXPENSES:

- 1) Compiled and determined that operation and maintenance accounts are accumulated and classified in compliance with Commission Rules and the Uniform System of Accounts.
- 2) Determined that operation and maintenance cost accounting is in compliance with management policy.
- 3) Determined that disbursements are only for authorized expenditures incurred and properly recorded in the correct account and dollar amount.
- 4) Determined that allocated cost are consistent with prior periods and that the basis and methodology are reasonable and mechanically accurate.
- 5) Determined that the filed exhibits agree to the results of the audit.
- 6) Determined the existence of related party transactions and that they appear prudent and competitive with non-affiliated transactions.
- 7) Scanned and recalculated Company's adjustments to the projected 1996 test year filing.
- 8) Scanned and recalculated a sample of Interim 1995 O&M expenses to test for accuracy and reasonableness as compared to 1994 historical filings.
- 9) Examined the 1994 base year amounts for O&M expenses and compared them to the corresponding budget 1995 amounts.
- 10) Obtained and enclosed in audit work papers the following company documents; 1995 Budget Variance Report, 1995 Itemized Salary Expense by line position, and 1996 Budget for Centralized Laboratory Facilities.

TAXES OTHER THAN INCOME: Compiled the Taxes Other Than Income for 1994. Sampled the Taxes Other Than Income for the proper amount, period and classification.

COST OF CAPITAL

Compiled the Capital Structure for 1994. Traced debt components to the debt agreements to determine the proper rates and amounts for 1994. Traced the customer deposit amounts to the customer deposit ledgers for the twelve months of 1994. Recomputed the 1995 and 1996 Capital Structures.

OTHER

OUTSIDE AUDITORS' REPORT: The Company's external auditor's report for 1994 was reviewed for items pertinent to this rate proceeding.

BOARD OF DIRECTORS MINUTES: The Company's Board of Directors' Minutes were reviewed for items pertinent to this audit from 1991 to June 1995.

AUDIT EXCEPTION NO. 7

SUBJECT: CIAC AMORTIZATION - OVERSTATEMENT

FACTS: In FPSC Document Request #22, the Company was requested to reconcile the difference between the book amount and the MFR amount for amortized CIAC for the Deltona Lakes water and wastewater accounts. The reply delineates part of the difference as being attributable to a sale to Volusia County which resulted in a retirement to the CIAC water of \$ 10,451. The Company states in its response, "It appears that the MFRs did not pick up this retirement of amortization which accounts for \$10,451 of the total difference. In other words, water accumulated amortization on the MFRs is overstated by \$10,451."

OPINION/RECOMMENDATION: The Company has reported an incorrect item on a filed exhibit. MFR A-13 did not include a retirement in the amount of \$10,451. The Commission should adjust the CIAC balance for the Company by the \$10,451 that is in error.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT EXCEPTION NO. 8**SUBJECT: DELTONA LAKES ABANDONED PROJECT**

FACTS: The Company started a project to build a 1 MG storage tank and a building for well #10 at its Deltona Lakes Plant. The project was abandoned at the end of 1991 due to a potential sinkhole problem. The project cost \$49,009 was transferred from Preliminary Survey and Investigations into Operations and Administrative Projects, Account Number 1862, and included the Working Capital Allowance for 1996.

The project is being amortized over a four-year period beginning 1/1/93 at \$12,252 (49,009 / 4) per year ending 12/31/96. In 1996 the Company indexed the \$12,252 by 1.98% to \$12,491. The amortization expense was charged to Account Number 6353, Contractual Services - Other.

The Company used 1/8 of Operation and Maintenance Expense for 1994 and 1995 to determine Working Capital Allowance and the Balance Sheet Method was used for 1996.

OPINION/RECOMMENDATION: The Company should be required to write off the abandoned project to either Miscellaneous Nonutility Expense, Account Number 426, or Miscellaneous Expenses, Account Number 675, as determined by the Commission. Therefore, Account Number 6353 should be reduced each year by \$12,252 for 1994 and 1995 and \$12,491 for 1996.

The Company should be required to reduce Working Capital Allowance for \$1,532 (12,252 / 8) in 1994 and 1995 if Account Number 426 is used for the amortization expense.

If the Commission rule that Account Number 675 should be charged, then consideration should also be given for the elimination of the above \$12,491 from expenses at 12/31/96.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT EXCEPTION NO. 9

SUBJECT: SPRING HILL WASTEWATER TREATMENT PLANT EXPANSION

FACTS: The Company included \$55,361 in Operations and Administrative Projects, Account Number 1862, for an abandoned proposed 2 MGD addition to Spring Hill Utilities Wastewater Treatment Plant located in Hernando County.

The project is being amortized at \$15,099 per year beginning 1/1/94, with the balance being amortized until 8/31/97. The amortization expense was charged to Account Number 7315, Contractual Services - Engineering.

The Company used 1/8 of Operation and Maintenance Expense for 1994 and 1995 to determine Working Capital Allowance and the Balance Sheet Method was used for 1996.

OPINION/RECOMMENDATION: The Company should be required to write off the abandoned project to either Miscellaneous Nonutility Expense, Account Number 426, or Miscellaneous Expenses, Account Number 775, as determined by the Commission. Therefore, Account Number 7315 should be reduced each year by \$15,099 from 1994 through 1996.

The Company should be required to reduce Working Capital Allowance for \$1,887 ($15,099 / 8$) in 1994 and 1995 if Account Number 426 is used for the amortization expense.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 1**SUBJECT: DELTONA LAKES AND MARCO ISLAND CONDEMNATION PROJECTS**

FACTS: The Company included in its 1996 Working Capital Allowance condemnation projects for Deltona Lakes and Marco Island. The condemnation amounts were included in Operations and Administrative Projects (OAPS), Account Number 1862. The condemnations are being amortized over a 15-year period to Miscellaneous Expense, Account Number 6758. The particulars for each project are shown below:

	DELTONA LAKES PROJECT #90EN010	MARCO ISLAND PROJECT #91ES027
Beginning Date	1/31/91	1/31/94
Ending Date	12/31/05	12/31/08
Original Amount	\$ 319,083	\$ 167,788
Annual Amort. Expense	21,273	10,634
Unamort. Bal. 12/31/96	\$ 191,455	\$ 135,753

OPINION/RECOMMENDATION: This disclosure is for informational purposes.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 3**SUBJECT: CIAC - ERROR IN PRIOR MFRs
SUGARMILL WOODS**

FACTS: The Company reduced the beginning balance, 12/31/91, of CIAC - Water (MFR A11-W) and CIAC Wastewater (MFR A-11-S) for Sugarmill Woods in the amounts of \$87,080 and \$1,116,283, respectively. The Company, in reply to FPSC Document Request #38, said that incorrect amounts were included in the MFRs filed in Docket #920199-WS; however, the books were correct. The Company was able to reconcile the difference in the water accounts. Neither the Company nor the auditor could reconcile the difference in the wastewater accounts. The auditor reconstructed the "book balance" as of 12/31/91. At that point there was a difference between the Company's books and MFRs in the amounts of \$86,067 for water and \$1,102,389 for wastewater. In accordance with FPSC Order #93-0423-FOF-WS the Company subsequently reduced CIAC water in the amount of \$1,012 and CIAC wastewater in the amount of \$13,893. The combination of the difference between the Company's books and MFRs as of 12/31/91, and the rate order adjustments equal the Company's adjustments to the MFRs in the current rate case.

OPINION/RECOMMENDATION: There is a definite difference between the amounts as filed in Docket #920199-WS and the financial records of the Company as of 12/31/91. The auditor did not find any errors in the "booked amounts." Since incorrect amounts were filed in the last case, it can not be determined by the audit staff what adjustments would have been made to the Sugarmill CIAC if the correct amounts were filed. The Commission will have to determine if the full amounts, as deducted by the Company, are applicable for the current rate case.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 12

SUBJECT: WORKING CAPITAL ALLOWANCE - ACCRUED INTEREST RECEIVABLE

FACTS: As required by the Commission, the Company used the balance sheet approach to compute Working Capital Allowance for 1996. For 1994 and 1995 1/8 of O & M was used.

In 1996 the Company recorded \$167,966 for year end and \$204,043 for 13-month average balance in Account Number 1710, Accrued Interest Receivable.

OPINION/RECOMMENDATION: Commission policy has been to exclude interest expense and interest bearing accounts for ratemaking purposes. Order Number PSC-92-1359-FOF-WS, page 5, addresses this issue.

If interest expense and interest bearing accounts are excluded for ratemaking, then the accrued interest receivable account should also be excluded.

The Company should be required to reduce Working Capital Allowance for the above amounts recorded for Accrued Interest Receivable.

COMPANY COMMENTS: The Company may respond at later date.

AUDIT DISCLOSURE NO. 13**SUBJECT: SEABOARD WASTEWATER PLANT ABANDONMENT**

FACTS: The Company recorded an original amount of \$656,626 for the Seaboard Wastewater Plant abandonment located in Hillsborough County. AFUDC (Allowance for Funds Used During Construction) for \$19,590 was included in this amount. Per Commission Rule 25-30.116 AFUDC is included for CWIP (Construction Work in Progress) and not for abandonments. This amount was included in Rate Base, line item Other, for 1995 and 1996.

The amortization period for the above amount is for five years beginning 4/30/95.

OPINION/RECOMMENDATION: The Company miscalculated and included AFUDC in the calculation of the above abandonment amount. The Commission should adjust the Company's accounting for the plant abandonment per the following:

Item	Per Company	Recomm. Adjs.	Per Audit	Reason
Original Amt 4/30/95	\$656,626	\$(19,590)	\$637,037	AFUDC Disallow.
Amortization Period	5	7	12	Miscalculation
Monthly Amort.	\$ 10,944	\$ (6,520)	\$ 4,424	AFUDC/Miscal.
1996 Amort. Expense	\$131,328	\$(78,240)	\$ 53,088	AFUDC/Miscal.
1996 Unamort. Bal.	\$426,802	\$117,331	\$544,133	AFUDC/Miscal.
1996 Average Bal.	\$492,466	\$ 78,211	\$570,677	AFUDC/Miscal.

See Schedule 1 for the calculation of the above amounts.

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Disclosure No. 13

Schedule 1			
Item	Per Company 12/31/94 Balances	Audit Adjustments	Per Audit 12/31/94 Balances
Plant in Service	886,966		886,966
Accumulated Depreciation	(800,926)		(800,926)
CIAC	(58,546)		(58,546)
Accumulated Amortization	19,723		19,723
Rate Base @ 12/31/94	47,217		47,217
Estimated Cost of Removal	609,410	(19,590)	589,820
Net Abandoned Plant Basis	656,627	(19,590)	637,037
1994 Depreciation Expense	47,964		47,964
1994 CIAC Amortization	(3,166)		(3,166)
Return on Rate Base	6,370		6,370
Net Depreciation Expense	44,798	6,370	51,168
Estimated Remaining Life - Years	1	11	12 (1)
Actual Amortization Period Used	5	7	12
Amortization Amount - Monthly	10,944	(6,520)	4,424 (2)
1995 Amortization Amount (MONTHLY AMORTIZATION X 9 MONTHS)	98,496	(58,680)	39,816
1996 Amortization Amount (MONTHLY AMORTIZATION X 12 MONTHS)	131,328	(78,240)	53,088

Amortization Schedule - Per Audit

	Monthly Amortization 12 Year Life	Unamortized Balance
12/31/95 Balance (637,037 - 39,816)		597,221
Jan 96	4,424	592,797
Feb 96	4,424	588,373
Mar 96	4,424	583,949
Apr 96	4,424	579,525
May 96	4,424	575,101
Jun 96	4,424	570,677
Jul 96	4,424	566,253
Aug 96	4,424	561,829
Sep 96	4,424	557,405
Oct 96	4,424	552,981
Nov 96	4,424	548,557
Dec 96	4,424	544,133
Total Amortization Expense 12/31/96	53,088	
Average Rate Base Balance 12/31/96		570,677

(1) $637,037 / 51,168 = 12$ rounded(2) $637,037 / 12 = 53,088 / 12 = 4,424$ rounded

AUDIT DISCLOSURE NO. 14**SUBJECT: PRELIMINARY SURVEY AND INVESTIGATIONS**

FACTS: The Company projected its Preliminary Survey and Investigations, Account Number 183, to be \$2,737,272. This is the year end and thirteen-month average amount included in Working Capital Allowance at 12/31/96. The Company used internal projections to achieve the \$2,737,272 for 1995 with no additional amounts projected for 1996. The following is a variance between actual and projected through 9/30/95, the most recent data as of this writing:

Month	Actual	Projected	Difference	
Sep 94	\$ 979,900	\$ 979,900	\$ 0	Act Amts
Oct 94	983,595	983,595	0	Act Amts
Nov 94	1,030,985	1,030,985	0	Act Amts
Dec 94	774,158	774,158	0	Act Amts
Jan 95	799,852	777,358	22,494	
Feb 95	804,650	1,106,515	(301,865)	
Mar 95	805,953	1,194,987	(389,034)	
Apr 95	829,293	1,315,668	(486,375)	
May 95	847,724	1,654,961	(807,237)	
Jun 95	908,833	1,767,933	(859,100)	
Jul 95	865,735	1,863,905	(998,170)	
Aug 95	888,285	2,182,627	(1,294,342)	
Sep 95	1,027,587	2,278,099	(1,250,512)	
	-----	-----	-----	
Total:	\$11,546,550	\$17,910,691	\$ (6,364,141)	
Divided by:	13			

Average 888,196 - 2,737,272 = (1,849,076)

OPINION/RECOMMENDATION: The Company's 1996 projected amount, shown above, should be reduced \$1,849,076 for the following reasons:

1. The wide variance between the actual and projected amounts shown above;
2. The Company's supporting documentation for its projection was internally generated with no outside verification; and
3. The thirteen-month average balance at 9/30/95 is the most recent actual data available.

COMPANY COMMENTS: The Company may respond at later date.

**SCHEDULE OF WATER RATE BASE - 1996
SUMMARY**

Company: SSU / Total Company
Docket No.: 950495-WS
Schedule Year Ended: 12/31/96
Interim Final
Historical Projected
Simple Ave. 13 Month Ave.
Conventional Reverse Osmosis

Explanation: Provide the calculation of average rate base for the test year. Non-used and useful items should be reported as Plant Held for Future Use.

FPSC
Schedule: A-1 (W)
Page 1 of 1
Preparer: Kimball

Line No.	(1) Description	(2) 1996 AVERAGE RATE BASE			(5) Supporting Schedules
		(3) Balance Per Books	(4) Utility Adjustments	(5) Adjusted Utility Balance	
1	Utility Plant in Service	196,766,605	(150,322)	196,616,283	A-5 (W)
2	Utility Land & Land Rights	10,963,115	267,155	11,230,270	A-5 (W)
3	Non-Used and Useful	(11,588,668)	0	(11,588,668)	A-7 (W)
4	Construction Work in Progress	0	0	0	--
5	Accumulated Depreciation	(54,541,339)	1,506,268	(53,035,071)	A-9 (W)
6	CIAC	(54,284,419)	43,542	(54,240,877)	A-12 (W)
7	FPSC Margin Reserve - CIAC	0	0	0	A-12 (W)
8	Accumulated Amortization of CIAC	13,781,234	(42,920)	13,738,314	A-14 (W)
9	Acquisition Adjustments	(64,578)	0	(64,578)	A-20 (W)
10	Accumulated Amort. of Acq. Adjust.	27,526	0	27,526	A-20 (W)
11	Advances for Construction	(6,060,491)	0	(6,060,491)	A-16 (W)
12	Unfunded Post-Retirement Benefits	(837,715)	0	(837,715)	Vol. II
13	Deferred Taxes	4,172,745	0	4,172,745	C-7 (W)
14	Working Capital Allowance	4,852,687	0	4,852,687	A-17 (W)
15	Other	1,319,227	0	1,319,227	A-21(W)
16	TOTAL WATER RATE BASE	<u>104,505,929</u>	<u>1,623,723</u>	<u>106,129,652</u>	

**SCHEDULE OF SEWER RATE BASE - 1996
SUMMARY**

Company: SSU / Total Company

Docket No.: 950495-WS

Schedule Year Ended: 12/31/96

Interim Final

Historical Projected

Simple Ave. 13 Month Ave.

FPSC Uniform FPSC Non-uniform Non FPSC

Explanation: Provide the calculation of average rate base for the test year. Non-used and useful items should be reported as Plant Held for Future Use.

FPSC

Schedule: A-2 (S)

Page 1 of 1

Preparer: Kimball

Line No.	(1) Description	1996 AVERAGE RATE BASE			(5) Supporting Schedules
		(2) Balance Per Books	(3) Utility Adjustments	(4) Adjusted Utility Balance	
1	Utility Plant in Service	159,691,806	185,691	159,877,497	A-6 (S)
2	Utility Land & Land Rights	4,247,240	39,035	4,286,275	A-6 (S)
3	Non-Used and Useful	(6,100,561)	0	(6,100,561)	A-7 (S)
4	Construction Work in Progress	0	0	0	---
5	Accumulated Depreciation	(49,351,075)	1,104,232	(48,246,843)	A-10 (S)
6	CIAC	(59,832,623)	(21,295)	(59,853,918)	A-12 (S)
7	FPSC Margin Reserve - CIAC	0	0	0	A-12 (S)
8	Accumulated Amortization of CIAC	17,711,308	0	17,711,308	A-14 (S)
9	Acquisition Adjustments	(519,787)	0	(519,787)	A-20 (S)
10	Accumulated Amort. of Acq. Adjust.	225,555	0	225,555	A-20 (S)
11	Advances for Construction	(1,790,534)	0	(1,790,534)	A-16 (S)
12	Unfunded Post-Retirement Benefits	(379,180)	0	(379,180)	Vol. II
13	Deferred Taxes	662,509	0	662,509	C-7 (S)
14	Working Capital Allowance	2,196,500	0	2,196,500	A-17 (S)
15	Other	3,268,584	0	3,268,584	A-21(S)
16	TOTAL SEWER RATE BASE	<u>70,029,741</u>	<u>1,307,663</u>	<u>71,337,404</u>	

SCHEDULE OF WATER NET OPERATING INCOME - 1996
PRESENT AND REQUIRED

Company: SSU / Total Company
Docket No.: 950495-WS
Schedule Year Ended: 12/31/96
Interim Final
Historical Projected
Simple Ave. 13 Month Ave.
Conventional Reverse Osmosis

Explanation: Provide the calculation of net operating income for the test year.
If amortization (line 8) is related to any amount other than an acquisition adjustment,
submit an additional schedule showing a description and calculation of charge.

FPSC
Schedule: B-1(W)
Page 2 of 3
Preparer: Kimball
Supporting Schedule: B-3(W)

Line No.	(1) Description	(2) 1996 PRESENT OPERATING INCOME			(5) 1996 REQUIRED OPERATING INCOME			(8) Supporting Schedules
		(2) Income Per Books	(3) Utility Adjustments	(4) Utility Adjusted Income	(5) Required Revenue Increase	(6) Required Income	(7) Required Revenue Increase %	
1	OPERATING REVENUES:							
2	Water Sales	32,412,721	0	32,412,721	11,445,530	43,858,251	35.31%	B-4(W),B-3(W)
3	Other Revenue	636,085	0	636,085	0	636,085		B-4(W)
4	TOTAL OPERATING REVENUES	33,048,806	0	33,048,806	11,445,530	44,494,336		
5	OPERATING EXPENSES:							
6	Operation and Maintenance	19,112,878	781,810	19,894,688	0	19,894,688		B-5(W)
7	Depreciation net of CIAC Amort	5,719,041	0	5,719,041	0	5,719,041		B-13(W)
8	Amortization	(689)	293,162	292,473	0	292,473		B-18(W), A-21(W)
9	Taxes Other Than Income	4,283,370	53,763	4,337,141	515,051 (A)	4,852,192		B-15(W),B-1(W)3/3
10	Provision for Income Taxes	(961,346)	(468,542)	(1,429,889)	4,216,431 (B)	2,786,542		B-16(W),B-1(W)3/3
11	TOTAL OPERATING EXPENSES	28,153,262	660,192	28,813,454	4,731,482	33,544,936		
12	NET OPERATING INCOME	4,895,544	(660,192)	4,235,352	6,714,048	10,949,400		
13	RATE BASE	104,505,929	1,623,723	106,129,652		106,129,652		A-1(W)
14	RATE OF RETURN	4.68%		3.99%		10.32%		D-1(W)

Notes:

(A) Required Taxes Other Than Income increase = Required Revenue Increase multiplied by .045.

(B) Required Income Taxes Increase = Required Revenue Increase - Required Taxes Other Than Income Increase multiplied by .38575.

**SCHEDULE OF SEWER NET OPERATING INCOME - 1996
PRESENT AND REQUESTED**

Company: SSU / Total Company

Docket No.: 950495-WS

Schedule Year Ended: 12/31/96

Interim Final

Historical Projected

Simple Ave. 13 Month Ave.

FPSC Uniform FPSC Non-uniform Non FPSC

Explanation: Provide the calculation of net operating income for the test year.

If amortization (line 8) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

FPSC

Schedule: B-2(S)

Page 1 of 3

Preparer: Kimball

Supporting Schedule: B-3(S)

Line No.	(1) Description	1996 PRESENT OPERATING INCOME			1996 REQUESTED OPERATING INCOME			(8) Supporting Schedules
		(2) Income Per Books	(3) Utility Adjustments	(4) Utility Adjusted Income	(5) Requested Revenue Increase	(6) Requested Income	(7) Requested Revenue Increase %	
1	OPERATING REVENUES							
2	Sewer Sales	24,732,910	0	24,732,910	7,214,608	31,947,518	29.17%	B-4(S),B-3(S)
3	Other Revenue	0	0	0	0	0		B-4(S)
4	Total Operating Revenue	24,732,910	0	24,732,910	7,214,608	31,947,518		
5	OPERATING EXPENSES							
6	Operation and Maintenance	15,016,503	493,187	15,509,691	0	15,509,691		B-6(S)
7	Depreciation net of CIAC Amort	4,203,210	0	4,203,210	0	4,203,210		B-14(S)
8	Amortization	(11,655)	131,328	119,673	0	119,673		B-18(S),A-21(S)
9	Taxes Other than Income	3,322,861	14,138	3,336,999	324,659 (A)	3,661,658		B-15(S),B-2(S)3/3
10	Provision for Income Taxes	(861,294)	(702,379)	(1,563,673)	2,657,799 (B)	1,094,126		B-17(S),B-2(S)3/3
11	Total Operating Expenses	21,669,626	(63,726)	21,605,900	2,982,458	24,588,358		
12	NET OPERATING INCOME	3,063,284	63,726	3,127,010	4,232,150	7,359,160		
13	RATE BASE	70,029,741	1,307,663	71,337,404		71,337,404		A-2(S)
14	RATE OF RETURN	4.37%		4.38%		10.32%		D-1(S)

Notes:

(A) Requested Taxes Other Than Income Increase = Requested Revenue Increase multiplied by .045.

(B) Requested Income Taxes Increase = Requested Revenue Increase - Requested Taxes Other Than Income Increase multiplied by .38575.

SCHEDULE OF REQUESTED COST OF CAPITAL - 1996

Company: Southern States Utilities, Inc.

FPSC

Docket No: 950495 - WS

Test Year Ended: 12/31/96

Interim Final

Historic or Projected

Simple Average 13 Month Average

Explanation: Provide a schedule which calculates the requested cost of capital. If a year-end is used submit an additional schedule reflecting year-end calculations.

Schedule: D-1

Page 1 of 1

Preparer: Scott W. Vierma

							(1)	(2)	(3)	(4)	(5)	(6)
							COST OF CAPITAL					
Line No.	Class of Capital	Reconciled To Requested Rate Base	Ratio	Cost Rate	Weighted Cost	Supporting Schedules						
1	LONG TERM DEBT	118,535,363	58.40%	8.06%	5.29%	D-5						
2	SHORT TERM DEBT	0	0.00%	0.00%	0.00%	D-4						
3	CUSTOMER DEPOSITS	1,753,184	0.86%	6.00%	0.05%	D-7						
4	DEFERRED ITC	1,335,813	0.66%	6.68%	0.08%	D-5a						
5	DEFERRED INCOME TAXES	0	0.00%	0.00%	0.00%	D-5a						
6	PREFERRED STOCK	0	0.00%	0.00%	0.00%	D-3						
7	EQUITY	82,821,786	40.81%	12.25%	5.01%	D-5a						
8	ADJUSTMENT FOR GAS	(1,481,000)	(0.73%)	12.25%	(0.09%)	D-5a						
9	TOTAL	<u>202,965,146</u>	<u>100.00%</u>		<u>10.32%</u>							

DOCKET 950495-WIS
EXHIBIT NO. 192
CASE NO. 96-04227
AUDIT EXCEPTION NO. 4

SUBJECT: PURCHASED WATER ADJUSTMENTS
Marco Shores

FACTS: The Company's filing for Historical 1994, Interim 1995, and Projected 1996 O&M Expenses includes adjustments for purchased water of \$24,378, \$24,378 and \$60,036, respectively, for Marco Shores.

The Company's filing for Historical 1994, Interim 1995, and Projected 1996 revenues include \$24,378, \$34,035 and \$69,291, respectively, for Marco Island's sale of raw water to Marco Shores.

Marco Shores and Marco Island are owned by Southern States.

The Company maintains that the above-mentioned purchase water adjustment is computed only for this filing to account for the water produced by Marco Island. No revenues or expenses for this transaction appear on the Company's books outside of this filing because the transfer of water resources from Marco Island to Marco Shores is considered an intercompany transaction that is eliminated when SSU's books are closed at year end.

Rule 25-30.120, (3) states, "Any utility that purchases water or wastewater treatment from another utility regulated by the FPSC is allowed a credit on the Regulatory Assessment Fee paid to the FPSC."

OPINION/RECOMMENDATION: Audit staff has discovered two calculation errors with the Company's filing.

- 1) Interim 1995's purchased water adjustment was calculated using Historical 1994 rates and consumption levels.
- 2) Projected 1996's purchased water adjustment was calculated using Projected 1996 rates and Historical 1994 consumption levels.

The Commission should require the Company to increase Interim 1995 and Projected 1996 purchased water adjustments for Marco Shores by \$9,648 and \$3,742, respectively, as illustrated in the attached Schedule A.

For filing purposes the Company recorded revenues twice for the previously mentioned intercompany water transaction - first, as raw water sold to Marco Shores from Marco Island and second, as finished water sold by Marco Shores to its customers.

When the Company calculated the Regulatory Assessment fees applicable for this filing they did not adjust the RAF fees as required per the Commission rule cited above.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950495-WIS EXHIBIT NO. 192
COMPANY/
WITNESS:
DATE 4/29/96

Audit Exception No. 4, continued

The Commission should require the Company to reduce Taxes Other Than Income by the following amounts in its Historical 1994, Interim 1995, and Projected 1996 filings for excess Regulatory Assessment Fees of \$1,097, \$1,532 and \$3,118, respectively, as illustrated below.

RAF Fee Adjustments

<u>Marco Island</u>	<u>Revenues per Company</u>	<u>RAF percentage</u>	<u>RAF amount</u>
Historical 1994	\$24,387	4.50%	\$1,097
Interim 1995	\$34,035	4.50%	\$1,532
Projected 1996	\$69,291	4.50%	\$3,118

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Exception No. 4

Summary of Purchased Water Adjustments

	Per Company	Audit Adjustment	Elasticity Adjustment	Per Audit
Historical 1994	24,387	0	0	24,387
Interim 1995	24,387	9,648	0	34,035 <i>a</i>
Projected 1996	65,225	4,066 <i>b</i>		69,291 <i>c</i>
elasticity adjustment	<u>(5,189)</u>		(324) <i>b</i>	<u>(5,513) <i>b</i></u>
	60,036			63,778 <i>c</i>

a)

1995 Consumption	36.938 m/gal
1995 Rate X	<u>\$0.87</u>
	\$32,136
Plus base facility	<u>1,899</u>
	<u>\$34,035</u>

b)

	Purchased Water	Elasticity Rate	Elasticity Adjustment
Per Audit	\$69,291	-7.9560%	(\$5,513)
Per company	<u>\$65,225</u>	-7.9560%	<u>(\$5,189)</u>
Auditor Adjustments	\$4,066		<u>(\$324)</u>
Net adjustment			\$3,742

c)

1996 Consumption	38.072 m/gal
1996 Rate X	<u>\$1.82</u>
	69,291
less elasticity adj.	<u>5,513</u>
	<u>\$63,778</u>

AUDIT EXCEPTION NO. 5

**SUBJECT: ALLOCATED COST FROM PARENT COMPANY
Shareholder Services**

FACTS: Southern States filing for this rate case includes the following amounts identified as shareholders services:

NARUC Acc# 6358	Contractual Services - Other (A&G)
Historical 1994	\$232,379
Interim 1995	204,783
Projected 1996	208,776

The above-referenced amounts represent the allocated portion of cost incurred by SSU's parent, Minnesota Power, that are "apportioned to recipient subsidiaries as a function of their equity balance relative to Minnesota Power's consolidated equity."

These cost include charges for the following types of services:

- 1) labor cost for shareholders services department
- 2) proxy and annual meeting notices
- 3) utility investor group assessments
- 4) annual stockholders meetings
- 5) annual and quarterly shareholders reports
- 6) DRIP and stock purchase plans
- 7) NY and AMEX assessments
- 8) rating agency fees
- 9) SEC financial reports
- 10) registrar and transfer agent fees
- 11) meetings with trust officers/institutional investors
- 12) certificate printing
- 13) board fees
- 14) mailings to the financial community

Prior Commission policy has been to disallow any stockholder expenses that are incurred by a parent and passed through to subsidiary companies. **TECO**, Docket No. 820007-EU, Order No. 11307.

OPINION/RECOMMENDATION: Audit staff believes that the above-mentioned expenses should not be allowed for determining test year expenses and be excluded per the Commission policy cited in Order No. 11307.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT EXCEPTION NO. 6

**SUBJECT: ABANDONED PRELIMINARY SURVEY AND INVESTIGATION
Volusia/Deltona Lakes**

FACTS: Southern States filing for Historical 1994 included a write-off of an abandoned Preliminary Survey and Investigation, PS&I, project for \$19,143 to Acc# 635 Contractual Services - Other.

Per NARUC, Class A, Water O&M Expense Accounts, Acc# 635, Contractual Services - Other, "This account shall include those operations and cost contracted for which are not included in accounts 631, 632, 633, 634."

The four NARUC accounts cited above are used to record expenses for "outside" engineering, accounting, and legal services as well as management fees.

Per NARUC, Class A, Income Accounts, Acc# 426 Miscellaneous Nonutility Expenses, "This account shall include all expenses other than expenses of utility operations and interest expense. Items included . . . (13) Preliminary Survey and Investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account."

Per NARUC, Class A, Balance Sheet Accounts, Acc# 183 Preliminary Survey and Investigation Charges, ". . ., if the work is abandoned, the charge shall be to account 426 - Miscellaneous Nonutility Expenses, or to the appropriate operating expense account unless otherwise ordered by the Commission (See account 675 - Miscellaneous Expenses)."

OPINION/RECOMMENDATION: The Company's write-off of the abandoned PS&I project to Acc# 635 is not an "appropriate operating expense account."

The Commission should require the Company to reduce Acc# 635 Contractual Services - Other by \$19,143.

The Company should be required to write off the PS&I project to either Acc# 426 Miscellaneous Nonutility Expense or Acc# 675 Miscellaneous Expenses as determined by the Commission.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 4

SUBJECT: RATE BASE
Hillsborough/Seaboard

FACTS: The Hillsborough/Seaboard system purchases water from the City of Tampa via Hillsborough County in accordance with a specific water purchase agreement.

In 1994 Hillsborough/Seaboard purchased approximately 62% of its water supply from the City of Tampa. The remaining 38% was produced by the system's four wells.

SSU's filing states the following,

Seaboard is located in a salt-water intrusion area which means there is only a limited amount of quality water that can be pumped. Each year, less quality water can be pumped from the wells, therefore it is necessary to increase the budget to purchase more from the city.

Section VI, Items A, B, and C in the water purchase agreement addresses the effects of the agreement on Seaboard's Rate Base before the Hillsborough County Commission.

The agreement allowed Seaboard to maintain in rate base all of the company's previously existing plant as well as all cost associated with constructing the interconnect with the city of Tampa.

SSU incorporated into this filing the Hillsborough/Seaboard rate base at the levels set by the Hillsborough County Commission.

OPINION/RECOMMENDATION: Audit staff believes that the current balance for Hillsborough/Seaboard rate base may be overstated because of the effects of the water purchase agreement. The company's rate base includes all original plant in service as well as all the cost associated with the construction of the interconnect with Hillsborough County.

The water purchase agreement has become Seaboard's primary source for water, 62.0%, as illustrated in the above facts. The company is therefore recovering the cost of the purchased water as well as earning a return on the original source of supply plant that provides only 38.0% of its water supply.

Audit staff defers this issue to the staff analyst and engineers in Tallahassee for further review.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 5

SUBJECT: SLUDGE HAULING EXPENSE
Beechers Point/Palm Port

FACTS: Southern States, Inc. filing indicates the following amounts for sludge hauling expense.

<u>System</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Beechers Point	\$12,179	\$44,200	\$45,062
Palm Port	3,540	44,200	45,062

SSU maintains that, ". . . the percolation ponds at Beechers Point and Palm Port are not properly percolating. Therefore, in order to dispose of the treated effluent, the company has hauled effluent to a sludge facility." and ". . . the effluent is being hauled in lieu of adequate percolation. Therefore, the disposal is considered sludge hauling."

The effect is an increase in sludge hauling expense in 1995 for Beechers Point and Palm Port of \$32,021 or 362.9% and \$40,660 or 1,248.6%, respectively. In 1996 the expense is determined by increasing 1995 expense by a 1.95% attrition factor.

Per the NARUC System of Uniform Accounts, Account 711 - Sludge Removal Expense, "This account shall include the cost of removal of sludge if such work is performed"

The revenues for Beechers Point and Palm Harbor for 1994 as filed are \$13,854 and \$30,030 with O&M expenses of \$42,532 and \$49,313, respectively. This results in a net deficit of (\$28,678) and (\$19,283) for each system before other non-O&M expenses are considered. The additional sludge hauling expense in 1995 will further increase this net deficit.

OPINION/RECOMMENDATION: The percolation ponds began to fail in early 1994. Southern States at that time decided to haul the treated effluent, with in-house personnel, to the Town of Welaka's wastewater facility. There was no evidence in the Company's response to audit staff's inquiry that Southern States explored any other cost effective alternatives.

Audit staff believes that, (1) The hauling of "treated effluent" should be identified as a Purchased Sewage Treatment Expense rather than sludge hauling expense because of the NARUC classifications cited above. (2) SSU's current solution to the percolation ponds problems at Beechers Point and Palm Port should not be treated as a recurring O&M expense item because a more cost effective method should be developed.

Audit staff defers this issue to the Commission staff analyst.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 6

**SUBJECT: ADJUSTMENT TO PROJECTED 1996 O&M EXPENSE
Conservation Elasticity Adjustment**

FACTS: Southern States initial filing for Projected 1996 O&M expenses includes a conservation elasticity adjustment of (\$287,585). In SSU's subsequent supplemental filing the conservation elasticity adjustment was reduced by \$90,450 to (\$197,135).

OPINION/RECOMMENDATION: Audit staff requested additional information about the above-mentioned adjustments from Company representatives. Their response was as follows:

The 11.0% elasticity adjustment and the correlating 7.956% O&M expense reduction were derived through Dr. Whitcomb's WaterRate model. A detailed explanation of the relationship between elasticity of demand and the correlating decrease in variable cost should be submitted as an interrogatory request rather than an audit request. Dr. Whitcomb will have to address this question.

Auditor defers this issue to the analyst and engineers in Tallahassee because of an inability to evaluate the company's representations on this adjustment due to the lack of supporting documentation.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 7

**SUBJECT: ADJUSTMENT TO PROJECTED 1996 O&M EXPENSE
Conservation Expenses**

FACTS: Chapter 366.81, F.S., states that, "The legislature finds and declares that it is critical to utilize the most efficient and cost-effective energy conservation systems in order to protect the health, prosperity, and general welfare of the state and its citizens."

Chapter 366.82 (2), F.S., assigns the authority to establish and monitor conservation programs for the electric and natural gas industry within the state of Florida to the Florida Public Service Commission. The Commission asserts its authority over conservation programs by means of Rule 25-17, F.A.C.

Southern States filing for Interim 1995 O&M expense budget includes conservation program expenses of \$199,250.

Southern States Projected 1996 O&M expense budget includes conservation expenses of \$524,425. This amount is the sum of the following two elements: (1) \$203,135, which is the interim 1995 budget escalated by a factor of 1.95%. (2) \$321,290, which is an adjustment to the projected 1996 budget for conservation program expenses. Please see attached schedule for details.

The Company has not requested Commission approval for its conservation program as of this filing.

OPINION/RECOMMENDATION: The Commission, through its actions with other state agencies, has expressed an on-going desire to promote the conservation of Florida's water resources.

Audit staff believes that the Commission should assert an implied authority to extend its responsibility over conservation programs to include the water and wastewater industries.

The Company's conservation program, as illustrated in the attachment provided, contains several expenses that are not considered recoverable under current Commission rules.

The Commission should determine that it does have the authority to administer a conservation program over the water and wastewater industry and develop the necessary guidelines to administer such a program.

Audit staff defers to the analyst and engineering staff in Tallahassee for additional recommendations on the conservation program established by Southern States in this rate proceeding.

COMPANY COMMENTS: The Company may respond at a later date.

SOUTHERN STATES UTILITIES, INC.
ANALYSIS OF CONSERVATION COSTS

				1995	ESCALATION	BUDGETED	PROFORMA 1996*	TOTAL
ACCOUNT DESCRIPTION	ACCOUNT NUMBER	CEC	BUDGET	FACTOR	1996	ADJUSTMENT	1996	1996
M&S-Office Printing	6208.0000	135	\$ 34,150	1.95%	\$ 34,816	\$ 19,991	\$ 54,807	
M&S-Office Supplies	6208.0000	140	\$ 2,350	1.95%	\$ 2,396	\$ 4,880	\$ 7,276	
Contract Services-Other ^a	6358.0000	150	\$ 16,200	1.95%	\$ 16,516	\$ 83,550	\$ 100,066	
Rental Equipment	6428.0000	155	\$ 1,000	1.95%	\$ 1,020	\$ 640	\$ 1,660	
Transportation	6508.0000	160	\$ 600	1.95%	\$ 612	\$ -	\$ 612	
Advertising	6608.0000	166	\$ 14,500	1.95%	\$ 14,783	\$ 24,600	\$ 39,383	
Misc Exp-Telephone	6758.0000	175	\$ 1,500	1.95%	\$ 1,529	\$ 1,512	\$ 3,041	
Misc Exp-Postage	6758.0000	185	\$ 3,500	1.95%	\$ 3,568	\$ 7,349	\$ 10,917	
Misc Exp-Dues & Subscription	6758.0000	190	\$ 800	1.95%	\$ 816	\$ -	\$ 816	
Misc Exp-Travel	6758.0000	195	\$ 400	1.95%	\$ 408	\$ 2,736	\$ 3,144	
Misc Exp-Food	6758.0000	200	\$ 1,800	1.95%	\$ 1,835	\$ 3,300	\$ 5,135	
Misc Exp-Employee Training	6758.0000	205	\$ 200	1.95%	\$ 204	\$ -	\$ 204	
Misc Exp-Office Cleaning	6758.0000	210	\$ 150	1.95%	\$ 153	\$ -	\$ 153	
Misc Exp-Employee Recognition	6758.0000	235	\$ 6,600	1.95%	\$ 6,729	\$ -	\$ 6,729	
Misc Exp-Temporary Help	6758.0000	245	\$ 3,000	1.95%	\$ 3,059	\$ -	\$ 3,059	
Misc Exp-Other	6758.0000	250	\$ 112,500	1.95%	\$ 114,694	\$ 77,163	\$ 191,857	
Labor			\$ -		\$ -	\$ 76,461	\$ 76,461	
Fringe Benefits**			\$ -		\$ -	\$ 19,108	\$ 19,108	
Total			\$ 199,250		\$ 203,135	\$ 321,290	\$ 524,425	

* The proforma 1996 adjustment for contract services includes a reclassification of \$35,683 for contract services for the Marco Island Water Conservation Program which was classified as Misc Exp-Other (CEO 250) in the 1995 budget (\$35,000 in 1995 budget).
The proforma adjustment for printing, supplies, advertising, postage, and food also include a reclassification of \$43,839 for public education and special events for the Marco Island Water Conservation Program which was classified as Misc Exp-Other (CEO 250) in the 1995 budget (\$43,000 in 1995 budget).

** 1996 fringe benefit rate @ 24.99%.

Schedule for Audit Disclosure No. 7

AUDIT DISCLOSURE NO. 8

**SUBJECT: PURCHASED POWER
Deltona Lakes**

FACTS: Southern States filing indicates the following amounts for purchased power expense:

<u>System</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Deltona Lakes	\$308,998	\$417,300	\$417,300

SSU maintains that they, "used a 1994 budget rather than 1994 actual to calculate a normalized expected power cost for 1995 due to the wet weather during the second half of 1994."

The budget figures provided by SSU are illustrated in the attached Schedule A.

OPINION/RECOMMENDATION: Audit staff believes that SSU's calculation of "normalized expected power cost" for the Deltona Lakes purchased power is flawed and overstates the actual amount that should be budgeted.

The Company has consistently over budgeted for purchased power at Deltona Lakes since 1992 as illustrated in the attached Schedule B.

Audit staff believes that the Interim 1995 and Projected 1996 purchased power expense for Deltona Lakes should be \$353,491 and \$360,384. These amounts were determined by using a simple average calculation for 1995 and an attrition factor of 1.95% for 1996 as illustrated in attached Schedule C.

The Commission should require the utility to reduce Interim 1995 and Projected 1996 purchased power expenses for Deltona Lakes by \$63,809 and \$56,916 as illustrated in attached Schedule D.

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Disclosure No. 8

Schedule A

Purchased power per 1994 budget	\$385,200
divided by number of wells in 1994	<u>24</u>
Average cost per well	\$16,050
times number of wells in 1995	<u>26</u>
Per company 1995 budget	\$417,300

Schedule B

Per company records	1992	1993	1994	Simple Average
Purchased power per budget	\$422,760	\$423,000	\$385,200	\$410,320
Purchased power actual	<u>\$317,409</u>	<u>\$352,490</u>	<u>\$308,998</u>	<u>\$326,299</u>
Difference - over/(under)	\$105,351	\$70,510	\$76,202	\$84,021
Percentage	24.92%	16.67%	19.78%	20.48%

Schedule C

	Interim 1995	Projected 1996
Simple Average (see B above)	\$326,299	
divided by number of wells in 1994	<u>24</u>	Budget 1995
Avg. cost per well	\$13,596	\$353,491
times number of wells in 1995	<u>26</u>	attrition factor
Per audit purchased power budget for Deltona Lakes	\$353,491	<u>1.0195%</u>
		\$360,384

Schedule D

	Interim 1995	Projected 1996
Per audit purchased power budget for Deltona Lakes	\$353,491	\$360,384
Per company purchased power budget for Deltona Lakes	<u>\$417,300</u>	<u>\$417,300</u>
Auditor determined adjustment	(\$63,809)	(\$56,916)

AUDIT DISCLOSURE NO. 9

SUBJECT: PURCHASED WATER
Volusia/Enterprise

FACTS: The Company's filing for Interim 1995 and Projected 1996 O&M Expenses includes expenses for purchased water of \$24,720 and \$22,753, respectively, for Volusia/Enterprise system.

The Volusia/Enterprise is currently being operated by SSU under a receivership agreement with the FPSC.

The Volusia/Enterprise system receives water from Deltona Lakes by means of an "intercompany transfer."

The Company maintains that the above-mentioned transaction should only appear in the billing system as a "memo entry" to account for the water produced by Deltona Lakes.

OPINION/RECOMMENDATION: Audit staff has determined that there are no water purchase agreements between Volusia/Enterprise and Deltona Lakes.

The Company's response to audit staff's inquiry indicates that the purchased water amounts were erroneously included in the Interim 1995 and Projected 1996 filings.

The Commission should require the Company to reduce the Interim 1995 and Projected 1996 purchased water expense for Volusia/Enterprise \$24,720 and \$22,753, respectively.

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 10

SUBJECT: ADJUSTMENT TO PROJECTED 1996 O&M EXPENSE
Hurricane Preparedness Program

FACTS: The Company's filing for Projected 1996 O&M expenses includes an adjustment of \$9,670 for additional materials and supplies for its Hurricane Preparedness Program.

The following items requested include: concrete saws, chain saws, flood lights, traffic cones, and other miscellaneous mechanical repair items.

Rule 25-30.433 (8), F.A.C., states that, "Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified."

OPINION/RECOMMENDATION: Audit staff believes that the items requested for the "Hurricane Preparedness Program" represent non-recurring O&M expense projections and are subject to the Commission rule cited above.

The amortization amount, as determined by audit staff, should be the following:

\$9,670 divided by 5 years equals \$1,934 per year

The Commission should require the Company to reduce its adjustment to Projected 1996 O&M expenses, Acc# 620, by \$7,736 as illustrated below.

\$9,670	Original company adjustment
<u>1,934</u>	less one year amortization per audit
\$7,736	audit adjustment/deferred debit

COMPANY COMMENTS: The Company may respond at a later date.

AUDIT DISCLOSURE NO. 11

SUBJECT: HEPATITIS IMMUNIZATION PROGRAM
Interim 1996 and Projected 1996 O&M Expense

FACTS: Southern States' filing for Interim 1995 and Projected 1996 includes \$16,000 and \$16,312 for a newly implemented Hepatitis immunization program they started in 1995 for selected "at risk" employees.

The above amounts were budgeted to the Safety Department Responsibility Center (#592) for NARUC Acc# 6758, Miscellaneous Expenses - A&G.

The Company maintains that approximately 200 employees will receive a series of three inoculations for Hepatitis B as part of the Company's Bloodborn Pathogens' program.

The budgeted cost of the program divided by the number of employees immunized results in an average cost of \$80.00 per employee for the Hepatitis Immunization program in Interim 1995.

The Company's employee turnover rate for 1995 is estimated to be approximately 11% on an annualized basis per D.G. Lock's testimony for this filing.

Documentation provided to the general public by the State Health Office-Immunization Program, Department of Health and Rehabilitative Services for Florida states, "The vaccine is given in a 3-dose series over a period of six months. About 95% of healthy persons are immune after receiving the vaccine, and protection appears to last at least five years."

Rule 25-30.433 (8), F.A.C., states that, "Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified."

Audit Disclosure No. 11, continued

OPINION/RECOMMENDATION: Audit staff believes that the amount budgeted for the Company's Hepatitis Immunization program represents non-recurring O&M expense projection and that it should be subject to the Commission rule cited above.

The Commission should require the Company to reduce Acc# 6758 - Miscellaneous Expenses for Interim 1995 and Projected 1996 by \$12,800 and \$14,508, respectively, as illustrated in the attached schedules.

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Disclosure No. 11

1995 Interim

Interim 1995 expense amount	\$16,000
Divided by estimated life of vaccine	<u>5 years</u>
Equals yearly amortization amount	\$ 3,200
<hr/>	
Interim 1995 per Company	\$16,000
less Interim 1995 per Audit	<u>3,200</u>
Equals Audit adjustment	\$12,800

Projected 1996

Projected 1996 per Company	\$16,312 a
less Projected 1996 per Audit	<u>1,804 b</u>
Equals audit adjustment	\$14,508
a) Per company 1995	\$16,000
times 1.95% attrition	<u>312</u>
equals 1996 projected	\$16,312
b) Initial number of employees to be vaccinated in 1995	200
times employee turnover rate	<u>11%</u>
equals the number new employees to be vaccinated in 1996	22
times the \$80 cost per employee for each vaccination increased by the 1.95% attrition factor	<u>\$ 82</u>
equals Projected 1996 per audit	\$ 1,804
(numbers were rounded to the nearest dollar)	

AUDIT DISCLOSURE NO. 15**SUBJECT: PROJECTED 1996 SALARY & WAGE EXPENSE
Attrition Adjustments**

FACTS: The Company's filing for Projected 1996 O&M Expenses includes an attrition adjustment of 5.87% to the Company's 1995 labor budget of \$10,965,564.

Per Company representative the above-mentioned attrition adjustment was calculated in error and should have been 5.75%.

The Company representative maintains that its total labor budget for Projected 1996 is overstated by .12% or \$16,764.

OPINION/RECOMMENDATION: Audit staff concurs with the Company's newly disclosed facts concerning the attrition adjustment. However, the \$16,764 overstatement calculated by the Company is based on the total labor budget which includes the Company's capitalized labor projections. The capitalized labor portion should not be included in the Projected 1996 O&M expense reduction.

Audit staff has recalculated the Projected 1996 labor attrition adjustments for O&M expenses and capitalized labor based on the correct percentage as stated above and recommends the following adjustments:

<u>WATER O&M EXPENSES ACC# 601</u>	
Conventional Treatment	(\$ 7,504)*
Reverse Osmosis Treatment	(982)*
<u>WASTEWATER O&M EXPENSES ACC# 701</u>	
All systems	(5,478)*
Total O&M Expense reduction	(\$13,964)*
<u>CAPITALIZED LABOR</u>	
Total Capitalized Labor	(\$ 2,800)
Total Labor adjustment	(\$16,764)

(* See attached schedule *)

The difference between audit staff's calculated adjustment and the Company's adjustment is a reduction to capitalized labor of \$2,800. (\$16,764 - \$13,964)

The Commission should require the Company to reduce its Projected 1996 O&M Salary Expenses and Projected 1996 Capitalized Salary Expenses by the amounts illustrated above to correct for the error in the Company's attrition adjustment calculation.

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Disclosure No. 15

Water			A	B	C	D	E	F	G	H	I
			Budget 1995	Attrition Adjustment 5.87%/5.75%	Reallocation	Adjusted 1996	Add OOU	Add Conservation	Hewitt Study 4.765%	Net Adjustments	Final Adjusted 1996
				See note 1		A+B+C		See note 2	D X 4.765%	E+F+G	D+H
Per Company	601	Salaries & Wages	<u>6,750,292</u>	<u>396,242</u>	<u>5,345</u>	<u>7,151,879</u>	<u>101,756</u>	<u>52,636</u>	<u>340,787</u>	<u>495,179</u>	<u>7,647,058</u>
		Conventional	5,968,878	350,373	29,302	6,348,553	96,124	49,723	302,509	448,356	6,796,909
		Reverse Osmosis	781,414	45,869	(23,957)	803,326	5,632	2,913	38,278	46,823	850,149
Per Audit	601	Salaries & Wages	<u>6,750,292</u>	<u>388,142</u>	<u>5,345</u>	<u>7,143,779</u>	<u>101,756</u>	<u>52,636</u>	<u>340,401</u>	<u>494,793</u>	<u>7,638,572</u>
		Conventional	5,968,878	343,210	29,302	6,341,390	96,124	49,723	302,167	448,014	6,789,405
		Reverse Osmosis	781,414	44,931	(23,957)	802,368	5,632	2,913	38,234	46,779	849,167
Audit Adjustments	601	Salaries & Wages		<u>8,100</u>		<u>8,100</u>			<u>386</u>	<u>386</u>	<u>8,486</u>
		Conventional		7,163		7,163			341	341	7,504
		Reverse Osmosis		938		938			45	45	982
Wastewater			A	B	C	D	E	F	G	H	I
			Budget 1995	Attrition Adjustment 5.87%/5.75%	Reallocation	Adjusted 1996	Add OOU	Add Conservation	Hewitt Study 4.765%	Net Adjustments	Final Adjusted 1996
				See note 1		A+B+C		See note 2	D X 4.765%	E+F+G	D+H
Per Company	701	Salaries & Wages	4,120,416	241,868	440,720	4,803,004	46,058	23,528	228,863	298,746	5,101,751
Per Audit	701	Salaries & Wages	4,120,416	236,924	440,720	4,798,060	46,058	23,528	228,628	298,214	5,096,273
Audit Adjustments	701	Salaries & Wages		<u>4,944</u>		<u>4,944</u>			<u>236</u>	<u>532</u>	<u>5,478</u>

Note 1

Per Company - Column A x 5.87%

Per Audit - Column A X 5.75%

Note 2

The per audit amount is subject to change based on the Commission's decision concerning Audit Disclosure #7.

~~SPECIFIED CONFIDENTIAL~~

AUDIT DISCLOSURE NO. 16

SUBJECT: INTERIM 1995 AND PROJECTED 1996 SALARY & WAGE EXPENSE
Executive Division

FACTS: The Company's Interim 1995 and Projected 1996 budget for A&G accounts includes estimated salary expenses of \$175,000 and \$185,272, respectively, for the new company president to Acc# 601. The Company used estimated amounts because it had not completed the hiring process for the new president at the time of this filing.

In July 1995 the hiring process was completed and the new company president's salary was established at \$195,000.

The new president's position includes responsibilities to two non-regulated operations, Heater Utilities and Topeka Group, which are subsidiaries of the parent corporation Minnesota Power.

The Company has established the following allocations of the president's salary based on historical direct labor hours of past company presidents.

Southern States Utilities, President	70%
Heater Utilities, Chief Executive Officer	15%
Minnesota Power, Executive Vice President and member Board of Directors Topeka Group	15%

The Company will record 100% of the salary expense for the president's position and then be reimbursed by the non-regulated operations for their respective labor cost based on the percentages listed above.

The new president's base annual compensation for Interim 1995 and Projected 1996 is \$136,500 and \$144,349, respectively, after considering the adjustments discussed above.

The Company allocates Employee Pension & Benefits Expense to Acc# 604 as a percentage of total salary expense using the following company determined percentages:

1995 at 24.83% and 1996 at 24.99%

The Company allocates Workman Compensation Expense to Acc# 658 as a percentage of total salary expense using the following company determined percentages:

1995 at 1.79% and 1996 at 1.71%

~~SPECIFIED CONFIDENTIAL~~

Portions of
 DOCUMENT NO.

10684-95

2/23/96

~~CONFIDENTIAL~~

Audit Disclosure Number 16, continued

OPINION/RECOMMENDATION: The Company's budgeted amounts to A&G Acc# 601 for Interim 1995 and Projected 1996 O&M Salary expenses is overstated by the following amounts:

1995 Per Company Budget estimate	\$175,000
1995 Per Company Budget actual	<u>136,500</u>
Total audit reduction	\$ 39,500
1996 Per Company Budget estimate	\$185,272
1996 Per Company Budget actual	<u>144,349</u>
Total audit reduction	\$ 40,923

The Company's budgeted amounts to A&G Acc# 604 for Interim 1995 and Projected 1996 O&M Employee Pension & Benefits expense is overstated by the following amounts:

Audit Adjustment to 1995 salary times 1995 Pen/Benefit Percentage	\$ 39,500 <u>24.83%</u>
Total audit reduction	\$ 9,808
Audit Adjustment to 1996 salary times 1996 Pen/Benefit Percentage	\$ 40,923 <u>24.99%</u>
Total audit reduction	\$ 10,227

The Company's budgeted amounts to A&G Acc# 658 for Interim 1995 and Projected 1996 O&M Insurance - Workman Compensation is overstated by the following amounts:

Audit Adjustment to 1995 salary times 1995 Work/Comp Percentage	\$ 39,500 <u>1.79%</u>
Total audit reduction	\$ 707
Audit Adjustment to 1996 salary times 1996 Work/Comp Percentage	\$ 40,923 <u>1.71%</u>
Total audit reduction	\$ 700

The Commission should require the Company to reduce Acc#'s 601, 604, and 658 for Salary expense, Employee Pension & Benefits expense, and Workman Compensation expense, respectively, by the amounts indicated above for Interim 1995 and Projected 1996 O&M expenses.

COMPANY COMMENTS: The Company may respond at a later date.

~~CONFIDENTIAL~~

10/95
 1994-1996 Stockholder Services
 12/3/96

PARENT COMPANY CHARGES - Summary

Company: Southern States Utilities, Inc.

Docket No.: 950495-WS
 Test Years Ended: 1994, 1995, 1996

PBC

Explanation: In addition to costs reported on Schedule B-12, provide information on costs allocated or charged to the Company from a parent, affiliate, or related party.

FPSC

Supplemental Schedule PC-1
 Page 1 of 2
 Preparer: Scott W. Vlerima

4/12/95
 2/25/95

4/6/95

Line No.	Account No.	Description	Charging Entity	Direct or Apportioned	Apportionment Method	Total Cost if Apport. (1995)	> 1% of Revenues	Actual 1994	Budgeted 1995	Projected 1996
1	1620-2000	Prepaid Insurance	TG (2)	Apportioned	Broker Assigned	992,774	No	120,408	106,956	109,042 (1)
2	6328-0000	Contractual Services - Acctng	TG (2)	Direct	////	////	No	47,237	77,940	79,460 (1)
3	6358-0000	Contractual Services - Other	TG (2)	Direct	////	////	No	313,124	33,671	34,328 (1)
4	6358-0000	Shareholder Services	TG (2)	Apportioned	Invested Equity	995,892	No	232,379	264,783	268,276 (1)
5		Subtotal (6358)						545,503	238,454	243,104
6	1861-0000	Deferred Rate Case Costs	TG (2)	Direct	////	////	No	16,224	30,000	30,000 (3)
7	4280-0000	Credit Support Fees	TG (2)	Direct	////	////	No	92,753	136,450	121,931
								822,125	589,800	583,536
								546,619	557,642	////

4E-5

- (1) All affiliate charges for 1996 indexed from 1995 budget at the rate of 1.95%, the general index rate approved by the FPSC in Order No. PSC-95-0202-FOF-WS (Issued 2-10-95).
- (2) TG = Topeka Group Incorporated, owner of 100% of Southern States Utilities, Inc. common stock.
- (3) Estimate for instant docket spread between 1995 and 1996.

- Attachments per FAC 25-30.436 (4)(h):
- h4) apportionment method workpapers
 - h5) direct charge workpapers
 - h6) organizational chart
 - h7) copies of existing interaffiliate agreements

PBC

Source: and as indicated
 PBC

1994-1996 Shareholder Services
P 10 12/31/96

10/95
J

FPSC AUDIT REQUEST #74

SHAREHOLDER SERVICES

PBC

1. The sources of SSU's equity capital are twofold; 1) retained earnings and 2) paid-in capital from its first tier parent Minnesota Power (MP). In order for MP to attract and retain equity capital for reinvestment in subsidiary corporations, it must incur continuing expenses associated with the issuance of securities, payment of dividends, compliance with SEC regulations, payment of registration and rating agency fees and shareholder communications. These costs are apportioned to recipient subsidiaries as a function of their equity balance relative to MP's consolidated equity.

2. The following types of services are included:

1) Labor and payroll overheads for operation of a shareholder services department, 2) proxy and annual meeting noticing, 3) utility investor group assessment, 4) annual stockholder meetings, 5) annual and quarterly shareholder reports, 6) DRIP and stock purchase plans, 7) NY and AMEX assessments, 8) rating agency fees, 9) SEC financial reports (10-K, 8-K, etc.), 10) registrar and transfer agent services, 11) meetings with trust officers and institutional investors, 12) certificate printing, 13) board fees and 14) mailings to the financial community.

3. All privately held utilities endeavor to maintain a balanced capital structure which typically includes some form of equity capital. In addition to directly funding a utilities operations and capital improvements, the presence of equity capital promotes the attraction of debt capital at lower rates and under reasonable covenants.

4. See attached Schedule PE-1.

5. See attached Schedule PE-1.

PBC

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Source: 38d and as indicated

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1994-1996 Shareholder Services
12/31/96

10/95
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FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT

TO: Judy Kimball
UTILITY: Southern States Utilities, Inc.
FROM: Charleston Winston
(AUDIT MANAGER)

Jeff Small
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: 74
AUDIT PURPOSE: Rate Case, Dkt# 950495

DATE OF REQUEST: Sep 19, 1995

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: September 25, 1995

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

MFR's Vol 2a Bk 3 of 4, pgs. 37 and 298
ITEM DESCRIPTION:

These pages refer to the following amounts associated with "Shareholders Services". \$209,000 and \$168,468.

Please provide the following information concerning these cost:

- 1) Describe the nature of these cost.
- 2) Identify all the types of services provided.
- 3) How do these services benefit SSU's customers ?
- 4) Provide an itemized schedule for Historical 1994, Interim 1995, and Projected 1996 that identify all the types of cost past down from the parent in total.
- 5) List all NARUC accounts in SSU's filing that are effected by the above transactions.

TO: AUDIT MANAGER Charleston Winston

DATE: 9/26/95

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball, ASST VP, Finance
(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst

PSC/AFA-6 (Rev. 2/95)

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Source: JJK and as indicated

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SSU Services, Inc.

1994-1996 Shareholder Services

PTE 12/31/96

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1995 A&G EXPENSE: \$167,455 Increase over 1994 - 2.11%

601/604 Labor and Fringe Benefits \$357,778 Increase - 7.30%

Note: See discussion of Labor and Fringe Benefits in Part III. above.

631.8 Contractual Services - Eng. \$33,523 Increase - 100%

Amortization expense for the new computerized system mapping project #94EA008.

675.8 Miscellaneous Expenses (\$74,432) Decrease - 5.69%

The primary reason for the decrease is the reclassification of postage from A&G to Customer Accounts in 1995.

1994 A&G EXPENSE: \$1,801,731 Above Benchmark Guideline - 26.90%

601/604 Labor and Fringe Benefits \$715,895 Above Guideline - 17.13%

Note: See discussion of Labor and Fringe Benefits in Part III. above.

620.8 Materials & Supplies (\$80,549) Below Guideline - (28.14%)

The majority of the decrease in 1994 is for printing costs of utility bills, notices and envelopes. These items were included in A&G in 1991, but were classified in Customer Accounts in 1994.

632.8 Contractual Services - Acctg (\$103,381) Below Guideline - (37.70%)

This reduction is the result of reduced audit fees from Price Waterhouse due to in-house expertise and efficiencies developed since 1991. SSU was able to decrease the fees paid because of SSU's increased internal work relating to preparation of the audited financial statements and supporting schedules, consolidation of SSU into one company, and no audit adjustments or internal control weaknesses being noted in 1994.

635.8 Contractual Services - Other \$382,256 Above Guideline - 427.39%

\$209,000 of the increase is due to SSU's portion of Shareholder Services charges from Minnesota Power for 1994 (11.8% based on average equity) which were not charged to SSU in 1991. The unamortized balance of the cost of an IS Strategic Plan prepared in 1992 was written off in 1994 totaling \$34,273.

641.8 Rental of Building \$56,899 Above Guideline - 74.58%

The rental of the Engineering building in 1994 increased building rental expense by \$58,000. In addition, the Marco Island office building was rented since 1991 resulting in an additional \$24,000.

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SSU Services, Inc.

*1994-1996 Shareholder Services
12/21/96*

*10/15/96
JWS*

**Southern States Utilities, Inc.
Review of Shareholder Services
Historical 1994, Interim 1995 and Projected 1996
Docket# 950495
Auditor: Jeff Small**

Southern States filing includes the following amounts for Acc# 6358
Contractual Services - Other:

Historical 1994	<i>11/25/93</i>	\$232,379
Interim 1995	<i>2/18</i>	\$204,783
Projected 1996		\$208,776

Auditor initially requested the company to provide documentation and additional information for variance amounts described the company's filing concerning comparisons of current and prior year FPSC O&M expenses. See W/P's *(1/16/96)* for details.

From the information provided by the company audit staff has determined that the above amounts represent charges passed down from the parent company, Minnesota Power, to SSU.

A review of Commission policies revealed that the Commission does not normally allow cost such as shareholder services to be passed down to the rate payers. See Order# *1307*

Auditor recommends that these cost be removed from the company's filing.

No further audit work deemed necessary in this area.

Source: *as indicated*

4/3/96

SSU Services, Inc.
 Conservation Program
 FYE 12/31/96

4/8/97
 C.S.

PBC

SOUTHERN STATES UTILITIES, INC.									
ANALYSIS OF CONSERVATION COSTS									
ACCOUNT DESCRIPTION	ACCOUNT NUMBER	CEC	1995		Reclass	ESCALATION FACTOR	BUDGETED	PROFORMA 1996	TOTAL
			BUDGET	Reclass	1995		1996	ADJUSTMENT	1996
M&S-Office Printing	6208.0000	135							
State-wide Communications			34,150		34,150	1.95%	34,816	-	34,816
Marco Program			-	8,000	8,000	1.95%	8,156	(156)	8,000
Six Pilot Programs			-	-	-	1.95%	-	11,991	11,991
Total			34,150	8,000	42,150		42,972	11,835	54,807
M&S-Office Supplies	6208.0000	140							
State-wide Communications			2,350		2,350	1.95%	2,396	-	2,396
Marco Program			-	2,000	2,000	1.95%	2,039	(39)	2,000
Six Pilot Programs			-	-	-	1.95%	-	2,880	2,880
Total			2,350	2,000	4,350		2,396	2,841	7,276
Contract Services-Other	6358.0000	150							
State-wide Communications									
clippings			100		100	1.95%	102	-	102
PR News			100		100	1.95%	102	-	102
FL Bus. Net			1,000		1,000	1.95%	1,020	-	1,020
surveys			5,000		5,000	1.95%	5,098	-	5,098
PR counsel & research			10,000		10,000	1.95%	10,195	-	10,195
Marco Program			-	8,000	8,000	1.95%	8,156	3,844	12,000
public relations			-	35,000	35,000	1.95%	35,683	(15,683)	20,000
water audits			-	5,000	5,000	1.95%	5,098	4,903	10,000
surveys			-	-	-	-	-	-	-
Six Pilot Programs			-	-	-	1.95%	-	12,000	12,000
literature search			-	-	-	1.95%	-	19,500	19,500
outside services			-	-	-	1.95%	-	10,050	10,050
surveys of control group			-	-	-	1.95%	-	-	-
Total			16,200	48,000	64,200		65,452	34,614	100,065
Rental Equipment	6428.0000	155							
State-wide Communications			1,000		1,000	1.95%	1,020	-	1,020
Marco Program			-	-	-	1.95%	-	-	-
Six Pilot Programs			-	-	-	1.95%	-	640	640
Total			1,000	-	1,000		1,020	640	1,660
Transportation	6508.0000	160							
State-wide Communications			600		600	1.95%	612	-	612
Advertising	6608.0000	166							
State-wide Communications			14,500		14,500	1.95%	14,783	-	14,783
Marco Program			-	17,000	17,000	1.95%	17,332	(332)	17,000
Six Pilot Programs			-	-	-	1.95%	-	7,600	7,600
Total			14,500	17,000	31,500		32,114	7,269	39,383
Misc Exp-Telephone	6758.0000	175							

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Source

SSU Services, Inc.

Conservation Program
PIVE rebate

9/18/94
C.S.J.

PBC

SOUTHERN STATES UTILITIES, INC. ANALYSIS OF CONSERVATION COSTS										
ACCOUNT DESCRIPTION	ACCOUNT NUMBER	CEC	1995		Reclassified	ESCALATION FACTOR	BUDGETED	PROFORMA 1996	TOTAL	
			BUDGET	Reclass	1995		1996	ADJUSTMENT	1996	
			1,500		1,500	1.95%	1,529			1,529
State-wide Communications						1.95%		252		252
Marco Program						1.95%			1,260	1,260
Six Pilot Programs			1,500		1,500		1,529	1,512		3,041
Total	6758.0000	185								
Misc Exp-Postage			3,500		3,500	1.95%	3,568			3,568
State-wide Communications				1,500	1,500	1.95%	1,529	1,971		3,500
Marco Program						1.95%		3,849		3,849
Six Pilot Programs			3,500	1,500	5,000		5,098	5,820		10,917
Total	6758.0000	190								
Misc Exp-Dues & Subscription			800		800	1.95%	816			816
State-wide Communications										
Misc Exp-Travel			400		400	1.95%	408			408
State-wide Communications						1.95%		1,728		1,728
Marco Program						1.95%		1,008		1,008
Six Pilot Programs			400		400		408	2,736		3,144
Total	6758.0000	200								
Misc Exp-Food			1,800		1,800	1.95%	1,835			1,835
State-wide Communications				500	500	1.95%	510	470		980
Marco Program						1.95%		2,320		2,320
Six Pilot Programs			1,800	500	2,300		2,345	2,790		5,135
Total	6758.0000	205								
Misc Exp-Employee Training			200		200	1.95%	204			204
State-wide Communications										
Misc Exp-Office Cleaning			150		150	1.95%	153			153
State-wide Communications										
Misc Exp-Employee Recognition			6,600		6,600	1.95%	6,729			6,729
State-wide Communications										
Misc Exp-Temporary Help			3,000		3,000	1.95%	3,059			3,059
State-wide Communications										
Misc Exp-Other										
State-wide Communications										
regulatory meetings			1,000		1,000	1.95%	1,020			1,020
environmental organizations			8,000		8,000	1.95%	8,156			8,156
conserv education/Conserv 96 sponsor			18,000		18,000	1.95%	18,351	20,000		38,351
Marco Program										
public education			42,000	(42,000)	-	1.95%	-			-
contract services			35,000	(35,000)	-	1.95%	-			-
toilet rebates			5,000		5,000	1.95%	5,098	4,903		10,001
gift certificates			2,500		2,500	1.95%	2,549	(49)		2,500
special events			1,000		1,000	1.95%	1,020	981		2,001

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PBC

SOURCE:

SSU Services, Inc.

Conservation Program
 PLYE rebates

9/15/96
 [Signature]

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SOUTHERN STATES UTILITIES, INC.
 ANALYSIS OF CONSERVATION COSTS

ACCOUNT DESCRIPTION		ACCOUNT NUMBER	CBC	1995 BUDGET	Reclass 1995	Reclass 1995	ESCALATION FACTOR	BUDGETED 1996	PROFORMA 1996 ADJUSTMENT	TOTAL 1996
Six Pilot Programs										
	retrofit kits			-	-	-	1.95%	-	60,180	60,180
	toilet rebates			-	-	-	1.95%	-	40,300	40,300
	moisture rebates			-	-	-	1.95%	-	18,350	18,350
	special events/sponsorships			-	-	-	1.95%	-	11,000	11,000
	Total			112,500	(77,000)	35,500		36,192	155,665	191,857
	Labor								76,461	76,461
	Fringe Benefits*								19,108	19,108
	Total			199,250	-	199,250		201,096	321,290	524,425

* 1996 fringe benefit rate @ 24.99%

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SSU Services, Inc.

Conservation Program
PTME 12/31/96

9/15/96
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SOUTHERN STATES UTILITIES, INC. ANALYSIS OF CONSERVATION COSTS								
ACCOUNT DESCRIPTION	ACCOUNT NUMBER	CEC	1995 BUDGET	ESCALATION FACTOR	BUDGETED 1996	PROFORMA 1996* ADJUSTMENT	TOTAL 1996	
M&S-Office Printing	6208.0000	135	\$ 34,150	1.95%	\$ 34,816	\$ 19,991	\$ 54,807	
M&S-Office Supplies	6208.0000	140	\$ 2,350	1.95%	\$ 2,396	\$ 4,880	\$ 7,276	
Contract Services-Other*	6358.0000	150	\$ 16,200	1.95%	\$ 16,516	\$ 83,550	\$ 100,066	
Rental Equipment	6428.0000	155	\$ 1,000	1.95%	\$ 1,020	\$ 640	\$ 1,660	
Transportation	6508.0000	160	\$ 600	1.95%	\$ 612	\$ -	\$ 612	
Advertising	6608.0000	166	\$ 14,500	1.95%	\$ 14,783	\$ 24,600	\$ 39,383	
Misc Exp-Telephone	6758.0000	175	\$ 1,500	1.95%	\$ 1,529	\$ 1,512	\$ 3,041	
Misc Exp-Postage	6758.0000	185	\$ 3,500	1.95%	\$ 3,568	\$ 7,349	\$ 10,917	
Misc Exp-Dues & Subscription	6758.0000	190	\$ 800	1.95%	\$ 816	\$ -	\$ 816	
Misc Exp-Travel	6758.0000	195	\$ 400	1.95%	\$ 408	\$ 2,736	\$ 3,144	
Misc Exp-Food	6758.0000	200	\$ 1,800	1.95%	\$ 1,835	\$ 3,300	\$ 5,135	
Misc Exp-Employee Training	6758.0000	205	\$ 200	1.95%	\$ 204	\$ -	\$ 204	
Misc Exp-Office Cleaning	6758.0000	210	\$ 150	1.95%	\$ 153	\$ -	\$ 153	
Misc Exp-Employee Recognition	6758.0000	235	\$ 6,600	1.95%	\$ 6,729	\$ -	\$ 6,729	
Misc Exp-Temporary Help	6758.0000	245	\$ 3,000	1.95%	\$ 3,059	\$ -	\$ 3,059	
Misc Exp-Other	6758.0000	250	\$ 112,500	1.95%	\$ 114,694	\$ 77,163	\$ 191,857	
Labor			\$ -		\$ -	\$ 76,461	\$ 76,461	
Fringe Benefits**			\$ -		\$ -	\$ 19,108	\$ 19,108	
Total			\$ 199,250		\$ 203,135	\$ 321,290	\$ 524,425	

* The proforma 1996 adjustment for contract services includes a reclassification of \$35,683 for contract services for the Marco Island Water Conservation Program which was classified as Misc Exp-Other (CEO 250) in the 1995 budget (\$35,000 in 1995 budget).
The proforma adjustment for printing, supplies, advertising, postage, and food also include a reclassification of \$43,839 for public education and special events for the Marco Island Water Conservation Program which was classified as Misc Exp-Other (CEO 250) in the 1995 budget (\$43,000 in 1995 budget).

** 1996 fringe benefit rate @ 24.99%.

F. G. H
8/1/96
L. H. H

L. H. H

PAGE 74 OF 74

EXHIBIT (GAR-3)

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Source

SSU Services, Inc.

Conservation Program
PTYE 12/31/96

9/95
[Signature]

**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT**

TO: Judy Kimball
UTILITY: Southern States Utilities, Inc.
FROM: Charleston Winston
(AUDIT MANAGER)

REQUEST NUMBER: 48
AUDIT PURPOSE: Rate Case, Dkt# 950495

Jeff Small
(AUDITOR PREPARING REQUEST)

DATE OF REQUEST: August 29, 1995

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: September 1, 1995
REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

Please provide the following information related to SSU's Conservation Program for Interim 1995 and Projected 1996.

Detailed schedules for both periods that reconcile all anticipated cost and related savings resulting from the conservation program as stated in G.H. Kowalsky's testimony.

Specifically:

- 1) Written detailed explanation of all proforma adjustments to Exhibit CHK3 pg 74 of 74.
- 2) Written detailed reconciliation of Exhibit CHK3 pg 60 of 74 to the dollar savings illustrated in MFR's Vol IIa bk 3 of 4 for the Conservation Elasticity Adjustment.
- 3) Written explanation of the difference in cost for retro fit kits discussed in Exhibits CHK3 pg 58 of 74 and CHK3 pg 41 of 47.

TO: AUDIT MANAGER Charleston Winston

DATE: 9/6/95
9/7/95

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball Asst VP, Finance
(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst

PSC/AFA-6 (Rev. 2/95)

PER AUDITOR:
COMPANY RESPONSE LOCATED IN
DOCUMENT REQUEST NUMBER OF
THESE AUDIT WIP'S

Source: AS [Signature]

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SSU Services, Inc.

Conservation Program

RTTE 12/31/91

10/31/95
[Signature]

FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT

TO: Judy Kimball

UTILITY: Southern States Utilities, Inc.

FROM: Charleston Winston
(AUDIT MANAGER)

Jeff Small
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: 101

DATE OF REQUEST: Sep. 29, 1995

AUDIT PURPOSE: Rate Case, Dkt# 950495

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: October 3, 1995

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

Please provide the following information:

- 1) Does Southern States have written approval from the Commission for its conservation program(s) ? If so, please provide all supporting documentation.
- 2) Is Southern States under any mandate, order, and(or) directive from another regulatory body(s) to implement a conservation program(s) ? If so, please provide all supporting documentation.

TO: AUDIT MANAGER Charleston Winston

DATE: 10/15/95

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball, Asst VP, Finance
(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst

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Source: PBG

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SSU Services, Inc.
Conservation Program
PTTE 12/31/96

10/31/95
[Signature]

FPSC
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT

PBC

TO: Judy Kimball
UTILITY: SSU, Inc.
FROM: Charleston Winston / Jeff Small
REQUEST NUMBER: 101
AUDIT PURPOSE: Rate Case, Docket # 950495
DATE OF REQUEST: 9/29/95
REQUEST DUE DATE: 10/3/95

ITEM DESCRIPTION:

Please provide the following information:

- 1) Does Southern States have written approval from the Commission for its conservation program(s)? If so, please provide all supporting documentation.
- 2) Is Southern States under any mandate, order, and (or) directive from another regulatory body(s) to implement a conservation program(s)? If so, please provide all supporting documentation.

RESPONSE:

- 1) Southern States Utilities (SSU) has not been previously required to obtain written approval from the Commission for its conservation program. However, the Commission has approved the costs of SSU's conservation program in previous rate cases.
- 2) The following information describes existing water management district requirements for utilities to implement a water conservation program. Copies of these regulations and guidelines are attached as Appendices FPSC 101-A through C. The reader should also refer to SSU's response to FPSC Interrogatory #11 for further information regarding water management district requirements for implementation of water conservation rates.

NFWMD

Although the Northwest Florida Water Management District (NFWMD) has established conservation plan requirements for facilities located within designated Water Resource Caution Area's (WRCA), SSU has no facilities within those areas.

SRWMD

The Suwannee River Water Management District (SRWMD) has no conservation plan requirements.

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Source: 

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SSU Services, Inc.
Conservation Program
PTTE 12/31/96

10/21/96
[Signature]

SJRWMD

The Saint John's River Water Management District (SJRWMD) requires Consumptive Use Permit applicants to submit a water conservation plan with their Consumptive Use Permit Applications. The water conservation plan requirements for public supply use are defined in Chapter 40C-2, Florida Administrative Code, (F.A.C.) within the publication entitled *Applicants Handbook: Consumptive Uses of Water*, 12.4.5 and Appendix K, Water Saving Measures for Water Conservation Plans (July, 1995) and Rule 40C-2.301(4)(e), F.A.C. These regulations and guidelines are attached as Appendix FPSC 101-A.

PBC

SWFWMD

Southwest Florida Water Management District (SWFWMD) Rule 40D-2.301(k), F.A.C. and the publication entitled *Basis of Review for Water Use Permit Applications*, p.B4-9 require that to obtain a water use permit, applicants must provide reasonable assurances that the permitted use will incorporate water conservation measures. Standard permit conditions set forth in Rule 40D-2.381(3)(j), F.A.C. require that permittees practice water conservation measures. Further, pp.B6-16 - B6-19 of the *Basis of Review for Water Use Permit Applications*, sets forth water conservation permit conditions for various classes of permits according to their size and use. SWFWMD requires that Public Supply permittees shall carry out the provisions of their District-approved Water Conservation Plan and requires permittees to submit periodic progress reports on the implementation of their plan. These regulations and guidelines are attached as Appendix FPSC 101-B.

SFWMD

The South Florida Water Management District (SFWMD) requires Water Use Permit applicants to submit a water conservation plan with their Water Use Permit Applications. The requirements of a water conservation plan are defined in Chapter 40E-2, F.A.C., within the publication entitled *Basis of Review for Water Use Permit Applications within the South Florida Water Management District*, pp.A-24-26, (March 1994). These regulations and guidelines are attached as Appendix FPSC 101-C.

Per Auditor
Appendices FPSC 101-A, B, C
are located in the
Document Request binder WPS
for this rate case investigation.

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3:27

Source: PBC

44-7
3

CSU Services, Inc.

Analysis Review - Deltona Purchased Power
PTYE 12/31/96

10/95
CWS

PER AUDITOR:

The company's response to auditors Document Request #34 referenced Volume II, Book 3 of 4, page 125. See W/P ⁴⁵⁻³/₅ p2
Auditor requested further information about Deltona Lakes purchased power via Document Request #62. (see below)

Auditor believes that the company's budgeted amounts for purchased power at Deltona Lakes is overly optimistic and proposes adjustments to 1995 and 1996 purchased power as illustrated in W/P's

⁴⁵⁻³/₅ p3

FPSC Audit Request 62:

PBC

I.a. Attached please find a copy of the budget documentation to support the "normalized" power consumption for 1995. The plant manager for Deltona Lakes budgeted the 1995 power usage based upon the average power per well included in the 1994 budget. In 1994, there were 24 wells budgeted for power usage totaling \$385,200, or \$16,050 per well. Since the 1994 budget, the Company added two new wells (nos. 34 and 35) which resulted in an additional \$32,100 of budgeted power cost.

⁴⁵⁻³/₅ p3

Note that the plant manager used the 1994 budget rather than 1994 actual to calculate the "normalized" expected power cost for 1995 due to the wet weather during the second half of 1994. Therefore, the \$108,000 increase from actual is actually only a \$32,100 increase from the prior year budget because of the new wells. Note that the actual power cost in 1993 totaled \$353,000. When this total is compounded for the average 3% growth that Deltona has sustained since 1993, plus the addition of two new wells, the 1995 budget totaling \$417,300 is considered reasonable.

Note that during a dry year, the Company will use power in excess of budget and not be allowed to recover these costs. The Company is requesting that "normalized" power usage be allowed for the projected 1995 and 1996 test years in order to compensate for the budget distortion created by the wet weather noted in 1994.

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and
Source: as indicated

⁴⁵⁻³/₅ p2
108

SSU Services, Inc.

Analytical Review - 1995 Budget - Delta Lakes - Purchased power
PTYE 12/31/96

9/18/96

DETAIL COMPARISON OF CURRENT AND PRIOR YEAR FPSC O & M EXPENSE - DIRECT EXPENSE (1-6) - 1995 WATER

Company: SSU / FPSC Jurisdiction - Uniform Plants
 DocId: 060495-WS
 Schedule Year Ended: 12/31/95
 Historical () Projected (X)
 FPSC Uniform (X) Non-uniform () Non FPSC ()

Explanation: Complete the following comparison of the applicant's current and prior test year O & M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the last 5 years prior to the test year for comparison. Provide an additional schedule, if necessary to explain the differences.

FPSC
 Schedule: 07/17/95
 Page 2 of 5
 Preparer: BGC

Line No.	(1) Plant Name	(2) Plant Number	(3) Historic Year Ended 12/31/94	(4) Interim Test Year Ended 12/31/95	(5) Difference		(6) Ref	
					(4-3) Amount	(5/3) %		
1	Explanation of Changes - Purchased Power (615.1-6)							
2	Total Purchased Power Change		790,172	980,322	190,150	22.67%		
3								
4	Summary of Significant Variances by Plant							
5	Beacon Hills	886	61,754	67,854	6,100	9.88%	(1)	
6	Burnt Stone	2832	27,921	27,900	21	0.07%	(2)	
7	Delta Lakes	1808	308,908	417,300	108,391	35.08%	(3)	
8	Keystone Heights	1034	14,652	20,935	6,283	42.89%	(4)	
9	University Shores	106	33,807	44,000	10,193	30.16%	(5)	
10								
11								
12								
13								
14	Reconciliation of Plant Variances to Total							
15	Total Plant Variances > \$10,000					141,156	77.92%	
16	Total Plant Variances < \$10,000					39,994	22.08%	
17	Total Variance-FPSC Uniform Systems					181,150	100.00%	
18								
19	Variance Explanations							
20	(1) Budgeted additional power expense due to new high service pump and well to be installed in 1995.							
21								
22	(2) Budgeted additional power expense due to plant expansion planned for November, 1995.							
23								
24	(3) Decreased demand for power in 1994 was caused by approximately 1.1 billion less gallons pumped in 1994 versus 1993, (from MCF's). 1995 budgeted was normalized to reflect increased power usage.							
25								
26								
27	(4) Well #2 was taken off-line in 1994 due to pumping excessive air. Testing was done on the well which then caused it to be off-line the remainder of the year. The 1995 budget assumes the well to be back on-line, therefore, additional power expense was budgeted.							
28								
29								
30								
31	(5) Decreased demand for power in 1994 was caused by heavy rainfalls. 1995 budgeted as a normal weather year with additional money budgeted for increased power usage.							
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6/27/95 8:52 AM RCUNIF.XLS

Note: May not cross foot due to rounding.

Source:



45-3
5 P
285

SSU Services, Inc.
Audit Review - 1995 Budget - Deltona Lakes Pwr. Purch
 PTYE 12/31/96

9/95
[Signature]

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Schedule for Audit Disclosure No. 8

Schedule A

Purchased power per 1994 budget	\$385,200
divided by number of wells in 1994	24
Average cost per well	\$16,050
times number of wells in 1995	26
Per company 1995 budget	\$417,300

45-3 / 5P1

Schedule B

Per company records	1992	1993	1994	Simple Average
Purchased power per budget	\$422,760	\$423,000	\$385,200	\$410,320
Purchased power actual	\$317,409	\$352,490	\$308,998	\$326,299 ^(B)
Difference - over/(under)	\$105,351	\$70,510	\$76,202	\$84,021
Percentage	24.92%	16.67%	19.78%	20.48%

45-3 / 5P4, *45-3 / 5P1*, *45-3 / 5P4*

Schedule C

	Interim 1995	Projected 1996
Simple Average (see B above)	\$326,299	
divided by number of wells in 1994	24	Budget 1995 \$353,491
Avg. cost per well	\$13,596	attrition factor 1.0195%
times number of wells in 1995	26	
Per audit purchased power budget for Deltona Lakes	\$353,491	\$360,364

Schedule D

	Interim 1995	Projected 1996
Per audit purchased power budget for Deltona Lakes	\$353,491	\$360,364
Per company purchased power budget for Deltona Lakes	\$417,300	\$417,300
Auditor determined adjustment	(\$63,809)	(\$56,916)

45-3 / 5P4, *45-3 / 5P2*

Source: as indicated

45-3 / 5P / 3005

CSU Services, Inc.
 Analytical Review - 1995 Budget - Delta - Lots Pk Phase
 9/15/96
 DTPE 12/8/96

8/08/1995
BUDREPORT

PBC

SOUTHERN STATES UTILITIES, INC.
 BUDGET VARIANCE REPORTS
 FOR THE PERIOD ENDING 12/31/1995
 AREA N-1 - WTR AND WTR OPERATIONS

45-3/8/95
45-3/8/95
45-3/8/95
BUDVCONSO
PAGE 1

45-3 P/B
4/0/5

GL DESCRIPTION	CURRENT MONTH				CURRENT YEAR-TO-DATE				ATL YEAR BUDGET	
	ACCOUNT NUMBER	ACCOUNT DESCRIPTION	ACTUAL	BUDGET	VARIANCE	% VAR	ACTUAL	BUDGET		VARIANCE	% VAR
-DEFERRED ASSETS-										
90001.111.99.1059.1000.100	CAPITAL OVERHEAD	44	478 (	434)	(90.69)	147	5,444 (	5,297)	(97.30)	5,444
90001.111.99.1059.1000.105	CAPITAL OVERHEAD-FRINGER BENEFIT	12	134 (	122)	(91.04)	40	1,523 (	1,483)	(97.39)	1,523
90001.111.99.1059.1000.160	CAPITAL OVERHEAD-TRANSPORTATIO	0	0	0	.00	2,946	0	2,946	.00	0
90001.111.99.1059.1000.999	Capital Overhead	0	0	0	.00	3,829	0	3,829	.00	0
	Total Overhead	56	612 (	566)	(90.84)	6,962	6,967 (	5)	(.07)	6,967
	Total Prepays	0	0	0	.00	0	0	0	.00	0
00001.111.99.1740.0000.999	Possible Acquisition Costs	4,654	0	4,654	.00	0	0	0	.00	0
	Total Possible Acquisitions	4,654	0	4,654	.00	0	0	0	.00	0
	Total Deferred Rate Case Costs	0	0	0	.00	0	0	0	.00	0
00001.111.99.1862.0000.150	Other Deferred Assets	(2,775)	0 (	2,775)	.00	2,100	0	2,100	.00	0
00001.111.99.1862.0000.999	Other Deferred Assets	(15)	0 (	15)	.00	294,309	0	294,309	.00	0
	Total Other Deferred Assets	(2,790)	0 (	2,790)	.00	296,409	0	296,409	.00	0
	Total Deferred Assets	1,920	612	1,308	213.72	303,371	6,967	296,404	4254.39	6,967
-WATER-										
SALARIES & WAGES										
	Total Salaries & Wages	16,686	19,984 (	3,198)	(16.08)	127,765	226,513 (	98,748)	(43.59)	226,513
PENSIONS & BENEFITS										
PURCHASED WATER										
01807.111.01.6101.0000.999	PURCHASED WATER-SOURCE OF SUPP	1,743	2,020 (	277)	(13.71)	21,198	24,240 (	3,042)	(12.55)	24,240
	Total Purchased Water	1,743	2,020 (	277)	(13.71)	21,198	24,240 (	3,042)	(12.54)	24,240
PURCHASED POWER										
01806.111.01.6151.0000.110	PURCHASED POWER	21,920	37,230 (	15,310)	(41.12)	317,409	422,760 (	105,351)	(24.91)	422,760
	Total Purchased Power	21,920	37,230 (	15,310)	(41.12)	317,409	422,760 (	105,351)	(24.91)	422,760
FUEL FOR POWER PRODUCTION										
01806.111.01.6161.0000.115	FUEL FOR POWER PRODUCTION	0	100 (	100)	(100.00)	255	1,200 (	945)	(78.77)	1,200
	Total Fuel/Power Production	0	100 (100)	(78.75)	255	1,200 (945)	(78.75)	1,200
CHEMICALS										

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45-3/8/95

PBC

Source:

CSU Services, Inc. 9/15/96
Analytical Review - 1996 Budget - 11/18/96
DTK 12/18/96

6/15/1995
 RUDREPORT

PBC

SOUTHERN STATES UTILITIES, INC.
 BUDGET VARIANCE REPORTS
 FOR THE PERIOD ENDING 12/31/1995
 AREA N-1 - WTR AND MWTR OPERATIONS

45-3 P/B
45-3 P/B
 BUDRVCONSO
 PAGE 1

GL DESCRIPTION	CURRENT MONTH				CURRENT YEAR-TO-DATE				FY YEAR BUDGET		
	ACCOUNT NUMBER	ACCOUNT DESCRIPTION	ACTUAL	BUDGET	VARIANCE	X VAR	ACTUAL	BUDGET		VARIANCE	X VAR
-DEFERRED ASSETS-											
90001.111.99.1059.1000.100		CAPITAL OVERHEAD	0	74 (	74)	(100.00)	1,140	842	298	35.41	842
90001.111.99.1059.1000.140		CAPITAL OVERHEAD-OFFICE SUPPLI	0	0	0	.00	15	0	15	.00	0
		Total Overhead	0	74 (	74)	(100.00)	1,155	842	313	37.17	842
		Total Prepaids	0	0	0	.00	0	0	0	.00	0
		Total Possible Acquisitions	0	0	0	.00	0	0	0	.00	0
		Total Deferred Rate Case Costs	0	0	0	.00	0	0	0	.00	0
90001.111.99.1062.0000.150		Other Deferred Assets	0	0	0	.00	2,100	0	2,100	.00	0
90001.111.99.1062.0000.999		Other Deferred Assets	0	0	0	.00	294,309	0	294,309	.00	0
		Total Other Deferred Assets	0	0	0	.00	296,409	0	296,409	.00	0
		Total Deferred Assets	0	74 (	74)	(100.00)	297,564	842	296,722	35240.14	842
-WATER-											
SALARIES & WAGES											
		Total Salaries & Wages	26,443	12,331	14,312	116.06	104,146	139,930	44,200	51.59	139,930
PENSIONS & BENEFITS											
		PURCHASED WATER			705	42.09	33,998	21,960	12,038	54.81	21,960
01007.111.01.6191.0000.999		PURCHASED WATER-SOURCE OF SUPP	2,613	1,030	705	42.09	33,998	21,960	12,038	54.81	21,960
		Total Purchased Water	2,613	1,030	705	42.09					
		PURCHASED POWER	33,922	37,250 (	3,328)	(0.93)	352,498	423,000 (	70,510)	(16.66)	423,000
01006.111.01.6151.0000.110		PURCHASED POWER	33,922	37,250 (	3,328)	(0.93)	352,498	423,000 (	70,510)	(16.66)	423,000
		Total Purchased Power	33,922	37,250 (	3,328)	(0.93)					
		FUEL FOR POWER PRODUCTION	0	300 (	300)	(100.00)	603	1,200 (	517)	(43.09)	1,200
01006.111.01.6161.0000.115		FUEL FOR POWER PRODUCTION	0	300 (	300)	(43.08)	603	1,200 (	517)	(43.08)	1,200
		Total Fuel/Power Production	0	300 (	300)	(43.08)					
CHEMICALS											
01006.111.01.6105.0400.120		Chlorine	2,001	1,290	1,511	117.11	25,037	15,400	10,357	66.90	15,400
01006.111.01.6105.0700.120		High Test Hypochlorite	546	0	546	.00	546	0	546	.00	13,000
01006.111.01.6105.1000.120		Polyphosphate	0	0	0	.00	13,947	13,000	947	2.64	

45-3 P/B
45-3 P/B

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Source:

PBC

45-3 P/B
SP3

CSU Services, Inc.
 Analytical Review - 9/15 Budget - 1/18 - Later Priced Items
 9/15/96
 PTFE 12/8/96

8/22/1995
BUDREPORT

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SOUTHERN STATES UTILITIES, INC.
 BUDGET VARIANCE REPORTS
 FOR THE PERIOD ENDING 12/31/1994
 AREA N-1 - WTR AND WTRH OPERATIONS

4513 P
 4/6/96
 4/6/96
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 PAGE 1

OL DESCRIPTION		CURRENT MONTH				CURRENT YEAR-TO-DATE				TTL YEAR BUDGET
ACCOUNT NUMBER	ACCOUNT DESCRIPTION	ACTUAL	BUDGET	VARIANCE	% VAR	ACTUAL	BUDGET	VARIANCE	% VAR	
-DEFERRED ASSETS-										
	Total Overhead	0	0	0	.00	0	0	0	.00	0
	Total Prepaids	0	0	0	.00	0	0	0	.00	0
	Total Possible Acquisitions	0	0	0	.00	0	0	0	.00	0
	Total Deferred Rate Case Costs	0	0	0	.00	0	0	0	.00	0
00001.111.99.1062.0000.150	Other Deferred Assets	0	0	0	.00	2,100	0	2,100	.00	0
00001.111.99.1062.0000.999	Other Deferred Assets	0	0	0	.00	294,509	0	294,509	.00	0
	Total Other Deferred Assets	0	0	0	.00	296,409	0	296,409	.00	0
	Total Deferred Assets	0	0	0	.00	296,409	0	296,409	.00	0
-WATER-										
SALARIES & WAGES										
	Total Salaries & Wages	(27,962)	10,279	(46,241)	(252.97)	145,549	214,250	(68,701)	(32.06)	214,250
PENSIONS & BENEFITS										
	PURCHASED WATER	0	2,960	(2,960)	(100.00)	0	24,720	(24,720)	(100.00)	24,720
01007.111.01.6101.0000.999	PURCHASED WATER-SOURCE OF SUPP	0	2,960	(2,960)	(100.00)	0	24,720	(24,720)	(100.00)	24,720
	Total Purchased Water	0	2,960	(2,960)	(100.00)	0	24,720	(24,720)	(100.00)	24,720
	PURCHASED POWER	19,193	36,100	(16,907)	(46.83)	200,795	305,200	(104,405)	(34.21)	305,200
01006.111.01.6151.0000.110	PURCHASED POWER	19,193	36,100	(16,907)	(46.83)	200,795	305,200	(104,405)	(34.21)	305,200
01006.111.01.6155.0000.110	PURCHASED POWER	5,647	0	5,647	.00	21,259	0	21,259	.00	0
	Total Purchased Power	24,840	36,100	(11,260)	(31.19)	300,990	305,200	(4,210)	(1.38)	305,200
	FUEL FOR POWER PRODUCTION	0	0	0	.00	0	2,260	(2,260)	(100.00)	2,260
01006.111.01.6161.0000.115	FUEL FOR POWER PRODUCTION	0	0	0	.00	0	2,260	(2,260)	(100.00)	2,260
	Total Fuel/Power Production	0	0	0	(100.00)	0	2,260	(2,260)	(100.00)	2,260
CHEMICALS										
01006.111.01.6103.0400.120	Chlorine	5,990	1,200	4,790	252.00	32,400	20,400	12,000	58.82	20,400
01006.111.01.6103.0700.120	High Test Hypochlorite	0	0	0	.00	44	0	44	.00	0
01006.111.01.6103.1000.120	Polysphosphate	0	0	0	.00	6,959	13,400	(6,441)	(48.06)	13,400

4513 P
 4/6/96
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Source:

CSU Services, Inc.
Analytical Review - 1995 Budget - Delta Lakes Pwr. Source
9/15/96
DTPE 12/8/96

10/10/1995
 BUDREPOR1



SOUTHERN STATES UTILITIES, INC.
 BUDGET VARIANCE REPORTS
 FOR THE PERIOD ENDING 9/30/1995
 AREA M-1 - MTR AND MTR OPERATIONS

BUDWCONSO
 PAGE 1

45-3 P
45-3 P
4/1/96

GL DESCRIPTION	ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT MONTH				CURRENT YEAR-TO-DATE				YTL YEAR BUDGET
			ACTUAL	BUDGET	VARIANCE	% VAR	ACTUAL	BUDGET	VARIANCE	% VAR	
-DEFERRED ASSETS-											
		Total Overhead	0	0	0	.00	0	0	0	.00	0
		Total Prepaids	0	0	0	.00	0	0	0	.00	0
		Total Possible Acquisitions	0	0	0	.00	0	0	0	.00	0
		Total Deferred Rate Case Costs	0	0	0	.00	0	0	0	.00	0
		Total Other Deferred Assets	0	0	0	.00	0	0	0	.00	0
		Total Deferred Laboratory Cost	0	0	0	.00	0	0	0	.00	0
		Total Deferred Assets	0	0	0	.00	0	0	0	.00	0
-WATER-											
SALARIES & WAGES											
		Total Salaries & Wages	19,301	19,373	0	.04	149,221	174,310	(25,089)	(14.39)	233,721
PENSIONS & BENEFITS											
PURCHASED WATER											
01007.111.01.6101.0000.999		PURCHASED WATER-SOURCE OF SUPP	0	2,060	(2,060)	(100.00)	0	10,540	(10,540)	(100.00)	24,720
		Total Purchased Water	0	2,060	(2,060)	(100.00)	0	10,540	(10,540)	(100.00)	24,720
PURCHASED POWER											
01006.111.01.6151.0000.110		PURCHASED POWER	26,852	34,775	(8,443)	(24.27)	240,701	312,975	(72,194)	(23.06)	417,300
01006.111.01.6153.0000.110		PURCHASED POWER	1,245	0	1,245	.00	6,926	0	6,926	.00	0
		Total Purchased Power	27,577	34,775	(7,198)	(26.09)	246,807	312,975	(66,168)	(21.14)	417,300
FUEL FOR POWER PRODUCTION											
01006.111.01.6161.0000.115		FUEL FOR POWER PRODUCTION	0	0	0	.00	1,359	1,692	(333)	(19.67)	2,255
		Total Fuel/Power Production	0	0	0	(19.60)	1,359	1,692	(333)	(19.60)	2,255
CHEMICALS											
01006.111.01.6105.0000.120		CHEMICALS-WATER TREATMENT EXPE	0	0	0	.00	7,200	0	7,200	.00	0
01006.111.01.6105.0400.120		Chlorine	3,290	2,844	434	15.14	29,720	25,784	3,936	15.26	34,576
01006.111.01.6105.1000.120		Polyphosphato	0	9,226	(9,226)	(100.00)	0	83,042	(83,042)	(100.00)	110,720

YTL YEAR BUDGET

45-3 P
45-3 P
4/1/96



Source:



SSU Services, Inc.
 Analytical Review - 1995 Budget - Milton Lakes - Orchard Grove
 P.Y.E. 12/31/96

SCHEDULE OF WATER OPERATING AND MAINTENANCE EXPENSES - 1996
SUMMARY OF TOTAL O & M EXPENSES

Company: SSU / Vokals / Dalton Lakes
 Docket No.: 950485-WS
 Schedule Year Ended: 12/31/96
 Interim Final
 Historical Projected
 Simple Ave. 15 Month Ave.
 Conventional Reverse Osmosis

PBC

Explanation: Provide a schedule that summarizes the total direct and allocated O & M expenses for the test year.

FPSC
 Schedule: B-5(W)
 Page 1 of 9
 Preparer: Kimball
 Recap Schedule: B-1(W)

13/16/96
 680

1081

Line No.	Account No. and Name	(2) 1996 TOTAL O & M (1 - 8)		(5) 1996 DIRECT O & M (1 - 8)		(8) 1996 ALLOCATED CUST ACCTS (7)			(11) 1996 ALLOCATED A & G (2)				
		Per Books O & M	Adjusted O & M	Per Books O & M	Adjusted O & M	Per Books O & M	Adjusted O & M	Per Books O & M	Adjusted O & M	Per Books O & M	Adjusted O & M		
1	801 Salaries & Wages - Employees	1,294,108	83,219	1,367,328	441,237	21,825	462,262	235,290	24,247	259,828	617,282	47,847	665,438
2	803 Salaries & Wages - Officers, Etc.	0	0	0	0	0	0	0	0	0	0	0	0
3	804 Employee Pensions & Benefits (1)	323,368	7,868	331,236	118,285	0	118,285	58,796	3,283	62,079	164,338	4,803	158,838
4	810 Purchased Water	0	0	0	0	0	0	0	0	0	0	0	0
5	815 Purchased Power	429,457	(31,785)	397,672	417,300	(33,200)	384,100	771	0	771	10,288	1,405	11,791
6	816 Fuel for Power Production	2,298	0	2,298	2,298	0	2,298	0	0	0	0	0	0
7	818 Chemicals	148,828	(11,815)	136,991	148,506	(11,815)	136,691	0	0	0	0	0	0
8	820 Materials & Supplies	167,887	7,374	175,270	127,085	0	127,085	12,512	1,300	13,813	28,289	8,073	34,372
9	831 Contractual Services - Eng.	4,737	0	4,737	0	0	0	0	0	0	4,737	0	4,737
10	832 Contractual Services - Acct.	25,153	0	25,153	0	0	0	0	0	0	25,153	0	25,153
11	833 Contractual Services - Legal	15,158	0	15,158	0	0	0	0	0	0	15,158	0	15,158
12	834 Contractual Services - Mgmt Fees	0	0	0	0	0	0	0	0	0	0	0	0
13	836 Contractual Services - Other	80,504	22,813	113,117	51,418	4,385	55,801	0	0	0	38,088	18,228	57,316
14	841 Rental of Real Building/Real Property	22,488	3,522	26,011	0	0	0	0	0	0	22,488	3,522	26,011
15	842 Rental of Equipment	2,213	612	2,826	1,184	0	1,184	0	0	0	1,029	612	1,642
16	850 Transportation Expense	48,008	1,848	49,857	28,158	0	28,158	8,852	1,107	9,969	10,986	542	11,540
17	856 Insurance - Vehicle	17,242	0	17,242	0	0	0	0	0	0	17,242	0	17,242
18	857 Insurance - General Liability	35,442	7,358	42,798	0	0	0	0	0	0	35,442	7,358	42,798
19	858 Insurance - Workman's Comp (2)	22,128	356	22,485	7,545	0	7,545	4,023	225	4,248	10,581	131	10,882
20	859 Insurance - Other	3,519	0	3,519	0	0	0	0	0	0	3,519	0	3,519
21	860 Advertising Expense	3,838	3,481	7,300	0	0	0	0	0	0	3,838	3,481	7,300
22	866 Reg. Comm. Exp. - Rate Case Amort.	104,107	0	104,107	0	0	0	0	0	0	104,107	0	104,107
23	867 Reg. Comm. Exp. - Other	8,368	0	8,368	0	0	0	0	0	0	8,368	0	8,368
24	870 Bad Debt Expense	30,783	3,329	34,122	0	0	0	30,783	3,329	34,122	0	0	0
25	875 Miscellaneous Expense	288,385	24,548	313,933	37,880	0	37,880	77,235	4,480	81,885	174,480	20,086	194,576
26	TOTAL WATER O & M EXPENSES	3,087,741	132,315	3,220,056	1,372,855	(18,805)	1,353,949	428,284	38,050	466,514	1,298,822	113,870	1,402,892

Notes:
 (1) Employee Pensions & Benefits is calculated as 24.86% of monthly Salaries & Wages - Employees.
 (2) Workman's Comp Insurance is calculated as 1.71% of monthly Salaries & Wages - Employees.

PBC

PBC

Source:

SSU Services, Inc.

Analytical Review - 1995 - Hepatitis Program

PTYE 12/31/96

10/95
CW

Southern States Utilities, Inc.
Hepatitis Program
Docket# 950495
Auditor: Jeff Small

X

1995 Interim

Interim 1995 expense amount	$\frac{45-3}{6-2} P2$	\$16,000
Divided by estimated life of vaccine	$\frac{45-3}{6-3}$	5 years
Equals yearly amortization amount		\$ 3,200
<hr/>		
Interim 1995 per Company		\$16,000
less Interim 1995 per Audit		3,200
Equals Audit adjustment		\$12,800

Projected 1996

Projected 1996 per Company	\$16,312 a
less Projected 1996 per Audit	1,804 b
Equals audit adjustment	\$14,508

- a) Per company 1995 \$16,000
times 1.95% attrition 312
equals 1996 projected \$16,312
- b) Initial number of employees 200
to be vaccinated in 1995
times employee turnover rate 11%
equals the number new employees to be vaccinated in 1996 22
times the \$80 cost per employee for each vaccination increased by the 1.95% attrition factor \$ 82
equals Projected 1996 per audit \$ 1,804

(A)
↓
(B)
↓

$\frac{45-3}{6-1} P1$
 $\frac{45-3}{6-4}$

(numbers were rounded to the nearest dollar)

$\frac{(A)}{(B)} = \frac{\$16000}{200} = \$80$

$\frac{45-3}{6}$

Source: AS indicated

SSU Services, Inc.

Analytical Review - PPS Budget - Hepatitis Program

10/95 JD



FPSC Audit Request #62 (3)

Safety Department
Intra-Company Correspondence

PBC

DATE: September 8, 1995
TO: Judy Kimball
FROM: Jim Barratt JB
RE: FPSC Audit Document/Record Request - of September 5, 1995

Answers to the subparts of question 3 of subject request regarding Hepatitis Immunization Program is hereby provided:

How many employees will be immunized? Approximately 200. This represents all SSU employees who are considered "occupationally exposed" to bloodborne pathogens as defined by the Federal OSHA standard 29 CFR 1910.1030, *Bloodborne Pathogens* (attached). Please also see the SSU *Bloodborne Pathogens Safe Operating Procedure* (also attached).

CATEGORY	NUMBER
Wastewater Plant Operators	94
Maintenance Technicians	93
Welder	1
Electricians	3
Environmental Services	5
Engineering	4
TOTAL	200

To 45-3/6

Which employees will be immunized? Those SSU employees considered "occupationally exposed" to bloodborne pathogens. Specifically, those who come in direct contact with wastewater or wastewater processing byproducts or who frequently operate or maintain wastewater treatment facilities or equipment. Also other employees, not normally considered occupationally exposed, will be provided immunization in those cases where, due to unforeseen circumstances, they become exposed while at work performing their normal duties. An example would be an employee who renders first aid to an injured coworker and comes into contact with that persons blood. Hepatitis B immunization can be effective up to two weeks following an exposure incident.

PBC

45-3
6-1 P
10/2

Source: PBC of as indicated

45-3
6-1

CSU Services, Inc.

Analytical Review - 1995 Budget - Hepatitis Program

10/95
JD

To: Judy Kimball
Subj: FPSC Audit Documentation/Record Request - of September 5, 1995
Page: 2

PRC

The following categories of employees are currently considered "occupationally exposed":

1. Those Plant Operators, Maintenance Technicians, Electricians and Welders assigned to wastewater treatment plants;
2. The Engineering Project Construction Inspectors and their supervisor (memorandum attached); and
3. The employees in the Environmental Services Department who regularly inspect/monitor wastewater plant operations (memorandum attached).

This listing is subject to annual review and revision as required by OSHA.

Will this be a recurring program? Yes. All employees who are identified as "occupationally exposed" will be offered immunization if they have not previously been immunized. This would also include newly hired employees filling positions where they are considered "occupationally exposed."

There is also the possibility that booster shots will eventually be needed to maintain an adequate level of immunization. This determination is yet to be made by the Center for Disease Control.

JTB
F:\USERS\JBARRATT\MEMOS\FINANCE.1

Attachments

c: Ray Gagnon

PBC

45-3
6-18
2082

Source: (PBC) as indicated

45-3
6-1

SSU Services, Inc.

Analytical Review - 1995 Budget - Hepatitis Immunization

PTME 12/8/96

10/95 JF
(W)

**FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT**

TO: Judy Kimball
UTILITY: Southern States Utilities, Inc.
FROM: Charleston Winston
(AUDIT MANAGER)
REQUEST NUMBER: 90
AUDIT PURPOSE: Rate Case, Dkt# 950495

Jeff Small
(AUDITOR PREPARING REQUEST)
DATE OF REQUEST: Sep. 26, 1995

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: October 2, 1995
REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

Follow up to FPSC Document Request 62A. Item #3.

Please provide a detailed schedule that illustrates all 1995 budgeted cost for the Hepatitis Immunization Program.

Indicate all NARUC accounts and associated responsibility centers where the cost will be distributed.

Additionally identify how much of the cost is associated with;

- 1) The initial immunization program.
- 2) Employee awareness and training.
- 3) Testing and follow up care for incident events.
- 4) Anticipated subsequent immunizations. (new employees)

Identify any other associated cost not included in above items.

TO: AUDIT MANAGER Charleston Winston

DATE: 10/3/95

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball
(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst

45-3
6-28
183

Source: as indicated
and 

45-3
6-28

SSU Services, Inc.

Analytical Review - 1995 Budget - Hepatitis Immunization
PTYE 12/31/96

10/95 JF
CW



Safety Department
Intra-Company Correspondence



DATE: October 2, 1995
TO: Judy Kimball
FROM: Jim Barratt
RE: FPSC Audit Document/Record Request - of September 26, 1995

Answers are hereby provided to the follow up to FPSC Document Request 62A. Item #3 regarding the Hepatitis Immunization Program:

Please provide a detailed schedule that illustrates all 1995 budgeted cost for the Hepatitis Immunization Program.

Number of first inoculations provided to date in 1995: 137
Number of second inoculations provided to date in 1995: 157
Number of third inoculations provided to date in 1995: 107

Indicate all NARUC accounts and associated responsibility centers where the cost will be distributed.

In 1995, \$16,000.00 were budgeted for the Hepatitis Immunization Program. All HBV inoculations are being charged to the Safety Department Responsibility Center, account number: 001.90001.592.99.6758.0000.250

To
45-3
6

Additionally identify how much of the cost is associated with:

- 1) The initial immunization program. Virtually 100%.
- 2) Employee awareness and training. There was a nominal cost for copying training handouts. These were used for a class conducted for employees on the subject of Bloodborne Pathogens. The curriculum was developed in house, based on the SSU Safe Operating Procedure. Additionally, a video on the subject was shown. The video was purchased in 1994 for \$495.00.
- 3) Testing and follow up care is associated with: The only testing or follow up that might occur would be associated with a report by an employee of an



45-3
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203

Source: as indicated and

45-3
6-28

SSU Services, Inc.

Analytical Review - 1995 Budget - Hepatitis Immunization
PTYE 12/8/96

10/95
JW

To: Judy Kimball
Subj: FPSC Audit Documentation/Record Request - of September 26, 1995
Page: 2

PBC

exposure incident or an employee report of an injury where exposure has or may have occurred. No reports of incidents have been received to date in 1995. Such an incident would generally be handled by insurance under the Florida Workers' Compensation laws.

4) Anticipated subsequent immunizations. (new employees)

CURRENT EMPLOYEES:

- Number of first inoculations anticipated in the remainder of 1995: 32
- Number of second inoculations anticipated in the remainder of 1995: 38
- Number of third inoculations anticipated in the remainder of 1995: 65

NEW EMPLOYEES:

- Number of first inoculations anticipated in the remainder of 1995: 20
- Number of second inoculations anticipated in the remainder of 1995: 20
- Number of third inoculations anticipated in the remainder of 1995: None.
(The third inoculation occurs approximately five months following the second inoculation.)

Identify any other associated cost not included in above items. No other costs are anticipated.

PLEASE NOTE: It would appear that someone on the Commission questions the necessity of our Bloodborne Pathogen Program. It should be noted - the State of Florida does not. I have enclosed an advertisement from the University of Florida - Center for Training, Research & Education for Environmental Occupations (TREEO) regarding a course they currently offer titled: *Train-the-Trainer for Exposure to Waterborne & Bloodborne Pathogens*. I hope this information will be useful to you.

PBC

JTB
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Attachment

c: Ray Gagnon

45-3
6-283
3083

source: as indicated
and PBC

45-3
6-2

SSU Services, Inc.

Analytical Center - 1995 Budget - Hepatitis Program

Hepatitis B Immunization

A very safe, effective vaccine protects against hepatitis B infection. This vaccine is especially valuable because there is no cure for the disease.

The vaccine is given in a 3 - dose series over a period of six months. About 95% of healthy persons are immune after receiving the vaccine, and protection appears to last at least five years.

Sometimes people feel a little soreness in the area where the injection was given or have a mild fever. These are normal effects and should last only a couple of days. As with any drug or vaccine, there is a rare chance that allergic or more serious reactions could occur, but so far no serious side effects have been seen with hepatitis B vaccine.

More Ways To Protect Yourself

- Avoid direct sexual contact (use a condom).
- If you inject drugs, do not use needles that others have used. Sharing needles even once can expose you to hepatitis B, AIDS, and other infectious diseases. If you are addicted to drugs, please seek professional help.
- Don't share needles for tattooing, acupuncture, or ear piercing.
- Avoid sharing razors or toothbrushes.

Who Needs The Vaccine?

The vaccine should be considered for the following groups of persons:

- Babies born to hepatitis B carrier mothers
- I. V. drug users
- Heterosexuals who have more than one sex partner
- Homosexually or bisexually active men
- Household or sexual contacts of known carriers
- Health care workers exposed to blood or needle sticks
- Staff or clients in facilities for the developmentally disabled
- Hemodialysis patients
- Persons of Southeast Asian or sub-Saharan African descent
- Persons who receive certain blood products, such as hemophiliacs
- International travelers to certain areas of the world

Please talk to your doctor or a nurse if you think you might need hepatitis B vaccine.

STATE HEALTH OFFICE • IMMUNIZATION PROGRAM



To 45-3/0

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45-3/3
10

Duval County
HHS Unit Public Health Dept.

Source:

THE WALTER LATHAM COMPANY

SSU Services, Inc.

Analytical Review - 1995 Budget - Hospital's Immunization Program

10/15/94

DYE 12/31/96

1 scale, SSU also has experienced high rates of turnover, as well as
 2 difficulty recruiting. The percentage of turnover in 1992 was 13.2%, with
 3 62 out of 469.5 employees separating from SSU's service. The percentage
 4 of turnover in 1993, was 13.5 %, with 66 of 489 employees separating
 5 from SSU's service. Excluding the Venice Gardens sale and customer
 6 service office consolidation which took place in 1994, the percentage of
 7 turnover was 11.54% with 58 out of 502.5 employees separating from
 8 SSU's service in that year. SSU turnover to date in 1995 has been 11%
 9 on an annualized basis, with 13 employees separating from service in the
 10 first quarter.

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PBC

These turnover rates are substantially higher than the national and southern United States averages. According to data published by the Bureau of National Affairs ("BNA"), which tracks monthly turnover and reports the national average for all companies nationwide, all U.S. companies averaged 10.8% turnover in 1994. The significance of this statistic is that it includes turnover experienced by retailers and the fast food industry which have turnover rates which can exceed 100%. Approximately 65% of SSU's preventable turnovers in 1993 and in 1994 were employees who had less than 3 years of service. In fact, in 1993, nearly 31% of the personnel who separated had less than 1 year of service. In 1993, we compared our average annual turnover to that of other utilities: Orlando Utilities Commission 4.8%, Florida Cities 3.96%, Collier

PBC

Testimony of D. G. Lock

45-3
6

PBC

DOCKET 950495-WS
EXHIBIT NO. 193
CASE NO. 96-04227

Ex- No. 193

SOUTHERN STATES UTILITIES, INC.
DOCKET NO.: 950495-WS
RESPONSE TO INTERROGATORIES

REQUESTED BY: FPSC
SET NO: 6
INTERROGATORY NO: 336
ISSUE DATE: 12/12/95
WITNESS: Bencini/Terrero
RESPONDENT: Morris A. Bencini/Rafael A. Terrero

INTERROGATORY NO: 336

The following question relates to SSU's Hepatitis Immunization Program. Documentation obtained by staff auditors supporting SSU's Hepatitis Immunization Program disclosed that the three dose series appears to provide protection for at least five years. Rule 25-30.433(8), F.A.C., states that, "Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified." Taking into consideration employee turnover, is the company in agreement with the auditor's recommendation in that the budgeted amount for the Immunization Program represents non-recurring O&M expense and that this expense should be amortized over five years? If not, explain the company's position on this issue and provide the basis for including the entire amount as a test year expense.

RESPONSE: 336

The Company agrees with the auditors recommendation that the Hepatitis Immunization Program is a non-recurring expense only for that portion of the expense exclusive of recurring costs attributable to new employees due to turnover. However, the Company disagrees with the adjustment calculated by the auditors. The auditors proposed adjustments would cause the company to under collect for the costs associated with a program designed for the safety of its employees.

It should first be noted that the auditors incorrectly calculated the average cost per employee of the immunization cycle to be \$80/year, rather than the correct cost of \$160/year. For 1995, SSU budgeted a \$16,000 expense for the immunization of approximately 100 employees and projected a \$16,312 expense, (\$16,000 increased by an inflation factor of 1.95%), for the immunization of additional employees in 1996. With an estimated 222 SSU employees participating in the immunization program at an average cost of \$160 per employee, the cost to the Company for a five year cycle would be \$35,520 ($222 \times \$160 = \$35,520$). The \$35,520 spread over five years results in an annual amortization expense of \$7,104 ($\$35,520 / 5 = \$7,104$). Based upon the correct amortization of \$7,104, the resulting adjustment would be (\$8,896) for 1995 and (\$9,031) for 1996 as opposed to the auditors recommendation of (\$12,800) for 1995 and (\$14,508) for 1996. The auditors are recommending amortization expense of \$3,200 for 1995 and \$1,804 for 1996, allowing the company to recover a total of only \$16,000 or \$9,020 over the five year period, depending on which test year is used, for a program that costs the company \$35,520 over the same period.

Please refer to FPSC Audit Request numbers 62-A and 90 and the responses thereto for supporting documentation relating to the Hepatitis Immunization Program (Appendix 336-A). Also refer to Appendix 336-B for the \$160.00 budget cost per employee and Appendix 336-C for FPSC Audit Disclosure 11 related to this issue.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950495 EXHIBIT NO 193
COMPANY/
WITNESS:
DATE: 4/29/96

TO: Judy Kimball
 UTILITY: Southern States Utilities, Inc.
 FROM: Charleston Winston
(AUDIT MANAGER)
 REQUEST NUMBER: 62 A & B
 AUDIT PURPOSE: Rate Case, Dkt# 950495

Jeff Small
(AUDITOR PREPARING REQUEST)
 DATE OF REQUEST: September 5, 1995

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: September 13, 1995
 REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

This is a request for additional supplemental information subsequent to Document Request# 34 provided earlier.

62A
62B

- 1) Provide additional support for \$108,000 increase for Deltona Lakes Acc# 615.1-.6, Purchased power. (see attached)
- 2) Provide additional information and support for polyphosphate program at Deltona Lakes. (see attached)
- 3) Provide additional support and information concerning Hepatitis immunization program. (see attached) *See attachment #62(3)*
- Provide additional support and information concerning the salary expense for SSU's new president. (see attached)

AS Amended 9/18/95 *[Signature]*

This item was provided by Brian Armstrong to FPSC on 9/19/95. It is confidential. No copy in possession of J. Kimball.

TO: AUDIT MANAGER Charleston Winston

DATE: 9/18/95

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY *1, 2, & 3 provided 9/25/95*
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) 4 IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball, ASST VP, Finance
 (SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
 Copy: Audit File and FPSC Analyst

Attachment to Document Request# 62
Southern States Utilities, Inc.
Rate Case, Dkt# 950495

- 1) Support should include schedules used to calculate "normalized" power usage.

In addition, please provide historical information on gallons of water pumped for 1992-94, scheduled by month.

- 2) Provide all information available concerning the polyphosphate program to treat line corrosion.

Is this a recurring water treatment program or a one time effort to correct the corrosion problem ?

Will there be additional testing required to monitor the polyphosphate programs effects ? If so, where are these cost recorded ?

- 3) Provide all information available concerning the hepatitis immunization program.

How many employees will be immunized ?

Which employees will be immunized ?

Will this be a recurring program ?

- 4) Provide a schedule that illustrates the compensation program for SSU's president position.

Does the president's position receive any other form of compensation not listed above ? If so, identify.

Provide a schedule that identifies all cost that were incurred to fill the presidents position.

Where are these cost booked ?



Safety Department
Intra-Company Correspondence

DATE: September 8, 1995
TO: Judy Kimball
FROM: Jim Barratt *JB*
RE: FPSC Audit Document/Record Request - of September 5, 1995

Answers to the subparts of question 3 of subject request regarding Hepatitis Immunization Program is hereby provided:

How many employees will be immunized? Approximately 200. This represents all SSU employees who are considered "occupationally exposed" to bloodborne pathogens as defined by the Federal OSHA standard 29 CFR 1910.1030, *Bloodborne Pathogens* (attached). Please also see the SSU *Bloodborne Pathogens* Safe Operating Procedure (also attached).

<u>CATEGORY</u>	<u>NUMBER</u>
Wastewater Plant Operators	94
Maintenance Technicians	93
Welder	1
Electricians	3
Environmental Services	5
Engineering	4
TOTAL	200

Which employees will be immunized? Those SSU employees considered "occupationally exposed" to bloodborne pathogens. Specifically, those who come in direct contact with wastewater or wastewater processing byproducts or who frequently operate or maintain wastewater treatment facilities or equipment. Also other employees, not normally considered occupationally exposed, will be provided immunization in those cases where, due to unforeseen circumstances, they become exposed while at work performing their normal duties. An example would be an employee who renders first aid to an injured coworker and comes into contact with that persons blood. Hepatitis B immunization can be effective up to two weeks following an exposure incident.

To: Judy Kimball

Subj: FPSC Audit Documentation/Record Request - of September 5, 1995

Page: 2

The following categories of employees are currently considered "occupationally exposed":

1. Those Plant Operators, Maintenance Technicians, Electricians and Welders assigned to wastewater treatment plants;
2. The Engineering Project Construction Inspectors and their supervisor (memorandum attached); and
3. The employees in the Environmental Services Department who regularly inspect/monitor wastewater plant operations (memorandum attached).

This listing is subject to annual review and revision as required by OSHA.

Will this be a recurring program? Yes. All employees who are identified as "occupationally exposed" will be offered immunization if they have not previously been immunized. This would also include newly hired employees filling positions where they are considered "occupationally exposed."

There is also the possibility that booster shots will eventually be needed to maintain an adequate level of immunization. This determination is yet to be made by the Center for Disease Control.

JTB
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Attachments

c: Ray Gagnon

29 CFR SECTION 1910.1030—BLOODBORNE PATHOGENS

§1910.1030 Bloodborne Pathogens.

[1910.1030 added by 56 FR 64175, December 6, 1991, effective March 6, 1992; corrected by 57 FR 29206, July 1, 1992]

(a) *Scope and Application.* This section applies to all occupational exposure to blood or other potentially infectious materials as defined by paragraph (b) of this section.

(b) *Definitions.* For purposes of this section, the following shall apply:

Assistant Secretary means the Assistant Secretary of Labor for Occupational Safety and Health, or designated representative.

Blood means human blood, human blood components, and products made from human blood.

Bloodborne Pathogens means pathogenic microorganisms that are present in human blood and can cause disease in humans. These pathogens include, but are not limited to, hepatitis B virus (HBV) and human immunodeficiency virus (HIV).

Clinical Laboratory means a workplace where diagnostic or other screening procedures are performed on blood or other potential infectious materials.

Contaminated means the presence or the reasonably anticipated presence of blood or other potentially infectious materials on an item or surface.

Contaminated Laundry means laundry which has been soiled with blood or other potentially infectious materials or may contain sharps.

Contaminated Sharps means any contaminated object that can penetrate the skin including, but not limited to, needles, scalpels, broken glass, broken capillary tubes, and exposed ends of dental wires.

Decontamination means the use of physical or chemical means to remove, inactivate, or destroy bloodborne pathogens on a surface or item to the point where they are no longer capable of transmitting infectious particles and the surface or item is rendered safe for handling, use, or disposal.

Director means the Director of the National Institute for Occupational Safety and Health, U.S. Department of Health and Human Services, or designated representative.

Engineering Controls means controls (e.g., sharps disposal containers, self-sheathing needles) that isolate or remove the bloodborne pathogens hazard from the workplace.

Exposure Incident means a specific eye, mouth, other mucous membrane, non-intact skin, or parenteral contact with

blood or other potentially infectious materials that results from the performance of an employee's duties.

Handwashing Facilities means a facility providing an adequate supply of running potable water, soap and single use towels or hot air drying machines.

Licensed Healthcare Professional is a person whose legally permitted scope of practice allows him or her to independently perform the activities required by paragraph (f) Hepatitis B Vaccination and Post-exposure Evaluation and Follow-up.

HBV means hepatitis B virus.

HIV means human immunodeficiency virus.

Occupational Exposure means reasonably anticipated skin, eye, mucous membrane, or parenteral contact with blood or other potentially infectious materials that may result from the performance of an employee's duties.

Other Potentially Infectious Materials means

(1) The following human body fluids: semen, vaginal secretions, cerebrospinal fluid, synovial fluid, pleural fluid, pericardial fluid, peritoneal fluid, amniotic fluid, saliva in dental procedures, any body fluid that is visibly contaminated with blood, and all body fluids in situations where it is difficult or impossible to differentiate between body fluids;

(2) Any unfixed tissue or organ (other than intact skin) from a human (living or dead); and

(3) HIV-containing cell or tissue cultures, organ cultures, and HIV- or HBV-containing culture medium or other solutions; and blood, organs, or other tissues from experimental animals infected with HIV or HBV.

Parenteral means piercing mucous membranes or the skin barrier through such events as needlesticks, human bites, cuts, and abrasions.

Personal Protective Equipment is specialized clothing or equipment worn by an employee for protection against a hazard. General work clothes (e.g., uniforms, pants, shirts or blouses) not intended to function as protection against a hazard are not considered to be personal protective equipment.

Production Facility means a facility engaged in industrial-scale, large-volume or high concentration production of HIV or HBV.

Regulated Waste means liquid or semi-liquid blood or other potentially infectious materials; contaminated items that would release blood or other potentially infectious materials in a liquid or semi-liquid

state if compressed; items that are caked with dried blood or other potentially infectious materials and are capable of releasing these materials during handling; contaminated sharps; and pathological and microbiological wastes containing blood or other potentially infectious materials.

Research Laboratory means a laboratory producing or using research-laboratory-scale amounts of HIV or HBV. Research laboratories may produce high concentrations of HIV or HBV but not in the volume found in production facilities.

Source Individual means any individual, living or dead, whose blood or other potentially infectious materials may be a source of occupational exposure to the employee. Examples include, but are not limited to, hospital and clinic patients; clients in institutions for the developmentally disabled; trauma victims; clients of drug and alcohol treatment facilities; residents of hospices and nursing homes; human remains; and individuals who donate or sell blood or blood components.

Sterilize means the use of a physical or chemical procedure to destroy all microbial life including highly resistant bacterial endospores.

Universal Precautions is an approach to infection control. According to the concept of Universal Precautions, all human blood and certain human body fluids are treated as if known to be infectious for HIV, HBV, and other bloodborne pathogens.

Work Practice Controls means controls that reduce the likelihood of exposure by altering the manner in which a task is performed (e.g., prohibiting recapping of needles by a two-handed technique).

(c) *Exposure control*—(1) *Exposure Control Plan.* (i) Each employer having an employee(s) with occupational exposure as defined by paragraph (b) of this section shall establish a written Exposure Control Plan designed to eliminate or minimize employee exposure.

(ii) The Exposure Control Plan shall contain at least the following elements:

(A) The exposure determination required by paragraph (c)(2).

(B) The schedule and method of implementation for paragraphs (d) Methods of Compliance, (e) HIV and HBV Research Laboratories and Production Facilities, (f) Hepatitis B Vaccination and Post-Exposure Evaluation and Follow-up, (g) Communication of Hazards to Employees, and (h) Recordkeeping, of this standard, and

[Sec. 1910.1030(c)(1)(ii)(B)]

(C) The procedure for the evaluation of circumstances surrounding exposure incidents as required by paragraph (f)(3)(i) of this standard.

(iii) Each employer shall ensure that a copy of the Exposure Control Plan is accessible to employees in accordance with 29 CFR 1910.20(e).

(iv) The Exposure Control Plan shall be reviewed and updated at least annually and whenever necessary to reflect new or modified tasks and procedures which affect occupational exposure and to reflect new or revised employee positions with occupational exposure.

(v) The Exposure Control Plan shall be made available to the Assistant Secretary and the Director upon request for examination and copying.

(2) *Exposure determination.* (i) Each employer who has an employee(s) with occupational exposure as defined by paragraph (b) of this section shall prepare an exposure determination. This exposure determination shall contain the following:

(A) A list of all job classifications in which all employees in those job classifications have occupational exposure;

(B) A list of job classifications in which some employees have occupational exposure, and

(C) A list of all tasks and procedures or groups of closely related task and procedures in which occupational exposure occurs and that are performed by employees in job classifications listed in accordance with the provisions of paragraph (c)(2)(i)(B) of this standard.

(ii) This exposure determination shall be made without regard to the use of personal protective equipment.

(d) *Methods of compliance*—(1) *General*—Universal precautions shall be observed to prevent contact with blood or other potentially infectious materials. Under circumstances in which differentiation between body fluid types is difficult or impossible, all body fluids shall be considered potentially infectious materials.

(2) *Engineering and work practice controls.* (i) Engineering and work practice controls shall be used to eliminate or minimize employee exposure. Where occupational exposure remains after institution of these controls, personal protective equipment shall also be used.

(ii) Engineering controls shall be examined and maintained or replaced on a regular schedule to ensure their effectiveness.

(iii) Employers shall provide handwashing facilities which are readily accessible to employees.

(iv) When provision of handwashing facilities is not feasible, the employer shall provide either an appropriate antiseptic hand cleanser in conjunction with clean cloth/paper towels or antiseptic towelettes. When antiseptic hand cleansers or towelettes are used, hands shall be washed with soap and running water as soon as feasible.

(v) Employers shall ensure that employees wash their hands immediately or as soon as feasible after removal of gloves or other personal protective equipment.

(vi) Employers shall ensure that employees wash hands and any other skin with soap and water, or flush mucous membranes with water immediately or as soon as feasible following contact of such body areas with blood or other potentially infectious materials.

(vii) Contaminated needles and other contaminated sharps shall not be bent, recapped, or removed except as noted in paragraphs (d)(2)(vii)(A) and (d)(2)(vii)(B) below. Shearing or breaking of contaminated needles is prohibited.

(A) Contaminated needles and other contaminated sharps shall not be bent, recapped or removed unless the employer can demonstrate that no alternative is feasible or that such action is required by a specific medical or dental procedure. [1910.1030(d)(2)(vii)(A) corrected by 57 FR 29206, July 1, 1992]

(B) Such bending, recapping or needle removal must be accomplished through the use of a mechanical device or a one-handed technique. [1910.1030(d)(2)(vii)(B) corrected by 57 FR 29206, July 1, 1992]

(viii) Immediately or as soon as possible after use, contaminated reusable sharps shall be placed in appropriate containers until properly reprocessed. These containers shall be:

(A) Puncture resistant;

(B) Labeled or color-coded in accordance with this standard;

(C) Leakproof on the sides and bottom; and

(D) In accordance with the requirements set forth in paragraph (d)(4)(ii)(E) for reusable sharps.

(ix) Eating, drinking, smoking, applying cosmetics or lip balm, and handling contact lenses are prohibited in work areas where there is a reasonable likelihood of occupational exposure.

(x) Food and drink shall not be kept in refrigerators, freezers, shelves, cabinets or on countertops or benches where blood or other potentially infectious materials are present.

(xi) All procedures involving blood or other potentially infectious materials shall be performed in such a manner as to minimize splashing, spraying, spattering, and generation of droplets of these substances.

(xii) Mouth pipetting/suctioning of blood or other potentially infectious materials is prohibited.

(xiii) Specimens of blood or other potentially infectious materials shall be placed in a container which prevents leakage during collection, handling, processing, storage, transport, or shipping.

(A) The container for storage, transport, or shipping shall be labeled or color-coded according to paragraph (g)(1)(i) and closed prior to being stored, trans-

ported, or shipped. When a facility utilizes Universal Precautions in the handling of all specimens, the labeling/color-coding of specimens is not necessary provided containers are recognizable as containing specimens. This exemption only applies while such specimens/containers remain within the facility. Labeling or color-coding in accordance with paragraph (g)(1)(i) is required when such specimens/containers leave the facility.

(B) If outside contamination of the primary container occurs, the primary container shall be placed within a second container which prevents leakage during handling, processing, storage, transport, or shipping and is labeled or color-coded according to the requirements of this standard.

(C) If the specimen could puncture the primary container, the primary container shall be placed within a secondary container which is puncture-resistant in addition to the above characteristics.

(xiv) Equipment which may become contaminated with blood or other potentially infectious materials shall be examined prior to servicing or shipping and shall be decontaminated as necessary, unless the employer can demonstrate that decontamination of such equipment or portions of such equipment is not feasible.

(A) A readily observable label in accordance with paragraph (g)(1)(i)(H) shall be attached to the equipment stating which portions remain contaminated.

(B) The employer shall ensure that this information is conveyed to all affected employees, the servicing representative, and/or the manufacturer, as appropriate, prior to handling, servicing, or shipping so that appropriate precautions will be taken.

(3) *Personal protective equipment*—(i) *Provision.* When there is occupational exposure, the employer shall provide, at no cost to the employee, appropriate personal protective equipment such as, but not limited to, gloves, gowns, laboratory coats, face shields or masks and eye protection, and mouthpieces, resuscitation bags, pocket masks, or other ventilation devices. Personal protective equipment will be considered "appropriate" only if it does not permit blood or other potentially infectious materials to pass through to or reach the employee's work clothes, street clothes, undergarments, skin, eyes, mouth, or other mucous membranes under normal conditions of use and for the duration of time which the protective equipment will be used.

(ii) *Use.* The employer shall ensure that the employee uses appropriate personal protective equipment unless the employer shows that the employee temporarily and briefly declined to use personal protective equipment when, under rare and extraordinary circumstances, it was the employee's professional judgment that in the specific instance its use would have

prevented the delivery of health care or public safety services or would have posed an increased hazard to the safety of the worker or co-worker. When the employer makes this judgment, the circumstances shall be investigated and documented in order to determine whether changes can be instituted to prevent such occurrences in the future.

(iii) Accessibility. The employer shall ensure that appropriate personal protective equipment in the appropriate sizes is readily accessible at the worksite or is issued to employees. Hypoallergenic gloves, glove liners, powderless gloves, or other similar alternatives shall be readily accessible to those employees who are allergic to the gloves normally provided.

(iv) Cleaning, Laundering, and Disposal. The employer shall clean, launder, and dispose of personal protective equipment required by paragraphs (d) and (e) of this standard, at no cost to the employee.

(v) Repair and Replacement. The employer shall repair or replace personal protective equipment as needed to maintain its effectiveness, at no cost to the employee.

(vi) If a garment(s) is penetrated by blood or other potentially infectious materials, the garment(s) shall be removed immediately or as soon as feasible.

(vii) All personal protective equipment shall be removed prior to leaving the work area.

(viii) When personal protective equipment is removed it shall be placed in an appropriately designated area or container for storage, washing, decontamination or disposal.

(ix) Gloves. Gloves shall be worn when it can be reasonably anticipated that the employee may have hand contact with blood, other potentially infectious materials, mucous membranes, and non-intact skin; when performing vascular access procedures except as specified in paragraph (d)(3)(ix)(D); and when handling or touching contaminated items or surfaces.

(A) Disposable (single use) gloves such as surgical or examination gloves, shall be replaced as soon as practical when contaminated or as soon as feasible if they are torn, punctured, or when their ability to function as a barrier is compromised.

(B) Disposable (single use) gloves shall not be washed or decontaminated for re-use.

(C) Utility gloves may be decontaminated for re-use if the integrity of the glove is not compromised. However, they must be discarded if they are cracked, peeling, torn, punctured, or exhibit other signs of deterioration or when their ability to function as a barrier is compromised.

(D) If an employer in a volunteer blood donation center judges that routine gloving for all phlebotomies is not necessary then the employer shall:

(1) Periodically reevaluate this policy;

(2) Make gloves available to all employees who wish to use them for phlebotomy;

(3) Not discourage the use of gloves for phlebotomy; and

(4) Require that gloves be used for phlebotomy in the following circumstances:

(i) When the employee has cuts, scratches, or other breaks in his or her skin;

(ii) When the employee judges that hand contamination with blood may occur, for example, when performing phlebotomy on an uncooperative source individual; and

(iii) When the employee is receiving training in phlebotomy.

(x) Masks, Eye Protection, and Face Shields. Masks in combination with eye protection devices, such as goggles or glasses with solid side shields, or chin-length face shields, shall be worn whenever splashes, spray, spatter, or droplets of blood or other potentially infectious materials may be generated and eye, nose, or mouth contamination can be reasonably anticipated.

(xi) Gowns, Aprons, and Other Protective Body Clothing. Appropriate protective clothing such as, but not limited to, gowns, aprons, lab coats, clinic jackets, or similar outer garments shall be worn in occupational exposure situations. The type and characteristics will depend upon the task and degree of exposure anticipated.

(xii) Surgical caps or hoods and/or shoe covers or boots shall be worn in instances when gross contamination can reasonably be anticipated (e.g., autopsies, orthopaedic surgery).

(4) Housekeeping. (i) General. Employers shall ensure that the worksite is maintained in a clean and sanitary condition. The employer shall determine and implement an appropriate written schedule for cleaning and method of decontamination based upon the location within the facility, type of surface to be cleaned, type of soil present, and tasks or procedures being performed in the area.

(ii) All equipment and environmental and working surfaces shall be cleaned and decontaminated after contact with blood or other potentially infectious materials.

(A) Contaminated work surfaces shall be decontaminated with an appropriate disinfectant after completion of procedures; immediately or as soon as feasible when surfaces are overtly contaminated or after any spill of blood or other potentially infectious materials; and at the end of the work shift if the surface may have become contaminated since the last cleaning.

(B) Protective coverings, such as plastic wrap, aluminum foil, or imperviously-backed absorbent paper used to cover

equipment and environmental surfaces, shall be removed and replaced as soon as feasible when they become overtly contaminated or at the end of the workshift if they may have become contaminated during the shift.

(C) All bins, pails, cans, and similar receptacles intended for reuse which have a reasonable likelihood for becoming contaminated with blood or other potentially infectious materials shall be inspected and decontaminated on a regularly scheduled basis and cleaned and decontaminated immediately or as soon as feasible upon visible contamination.

(D) Broken glassware which may be contaminated shall not be picked up directly with the hands. It shall be cleaned up using mechanical means, such as a brush and dust pan, tongs, or forceps.

(E) Reusable sharps that are contaminated with blood or other potentially infectious materials shall not be stored or processed in a manner that requires employees to reach by hand into the containers where these sharps have been placed.

(iii) Regulated Waste.

(A) Contaminated Sharps Discarding and Containment. (1) Contaminated sharps shall be discarded immediately or as soon as feasible in containers that are:

(i) Closable;

(ii) Puncture resistant;

(iii) Leakproof on sides and bottom; and

(iv) Labeled or color-coded in accordance with paragraph (g)(1)(i) of this standard.

(2) During use, containers for contaminated sharps shall be:

(i) Easily accessible to personnel and located as close as is feasible to the immediate area where sharps are used or can be reasonably anticipated to be found (e.g., laundries);

(ii) Maintained upright throughout use; and

(iii) Replaced routinely and not be allowed to overfill.

(3) When moving containers of contaminated sharps from the area of use, the containers shall be:

(i) Closed immediately prior to removal or replacement to prevent spillage or protrusion of contents during handling, storage, transport, or shipping;

(ii) Placed in a secondary container if leakage is possible. The second container shall be:

(A) Closable;

(B) Constructed to contain all contents and prevent leakage during handling, storage, transport, or shipping; and

(C) Labeled or color-coded according to paragraph (g)(1)(i) of this standard.

(4) Reusable containers shall not be opened, emptied, or cleaned manually or in any other manner which would expose employees to the risk of percutaneous injury.

(B) Other Regulated Waste Containment. (1) Regulated waste shall be placed in containers which are:

(i) Closable;

(ii) Constructed to contain all contents and prevent leakage of fluids during handling, storage, transport or shipping;

(iii) Labeled or color-coded in accordance with paragraph (g)(1)(i) [of] this standard; and

(iv) Closed prior to removal to prevent spillage or protrusion of contents during handling, storage, transport, or shipping.

(2) If outside contamination of the regulated waste container occurs, it shall be placed in a second container. The second container shall be:

(i) Closable;

(ii) Constructed to contain all contents and prevent leakage of fluids during handling, storage, transport or shipping;

(iii) Labeled or color-coded in accordance with paragraph (g)(1)(i) of this standard; and

(iv) Closed prior to removal to prevent spillage or protrusion of contents during handling, storage, transport, or shipping.

(C) Disposal of all regulated waste shall be in accordance with applicable regulations of the United States, States and Territories, and political subdivisions of States and Territories.

(iv) Laundry.

(A) Contaminated laundry shall be handled as little as possible with a minimum of agitation. (1) Contaminated laundry shall be bagged or containerized at the location where it was used and shall not be sorted or rinsed in the location of use.

(2) Contaminated laundry shall be placed and transported in bags or containers labeled or color-coded in accordance with paragraph (g)(1)(i) of this standard. When a facility utilizes Universal Precautions in the handling of all soiled laundry, alternative labeling or color-coding is sufficient if it permits all employees to recognize the containers as requiring compliance with Universal Precautions.

(3) Whenever contaminated laundry is wet and presents a reasonable likelihood of soak-through of or leakage from the bag or container, the laundry shall be placed and transported in bags or containers which prevent soak-through and/or leakage of fluids to the exterior.

(B) The employer shall ensure that employees who have contact with contaminated laundry wear protective gloves and other appropriate personal protective equipment.

(C) When a facility ships contaminated laundry off-site to a second facility which does not utilize Universal Precautions in the handling of all laundry, the facility generating the contaminated laundry must place such laundry in bags or containers which are labeled or color-coded in accordance with paragraph (g)(1)(i).

(e) *HIV and HBV Research Laboratories and Production Facilities.* (1) This paragraph applies to research laboratories and production facilities engaged in the culture, production, concentration, experimentation, and manipulation of HIV and HBV. It does not apply to clinical or diagnostic laboratories engaged solely in the analysis of blood, tissues, or organs. These requirements apply in addition to the other requirements of the standard.

(2) Research laboratories and production facilities shall meet the following criteria:

(i) Standard microbiological practices. All regulated waste shall either be incinerated or decontaminated by a method such as autoclaving known to effectively destroy bloodborne pathogens.

(ii) Special practices.

(A) Laboratory doors shall be kept closed when work involving HIV or HBV is in progress.

(B) Contaminated materials that are to be decontaminated at a site away from the work area shall be placed in a durable, leakproof, labeled or color-coded container that is closed before being removed from the work area.

(C) Access to the work area shall be limited to authorized persons. Written policies and procedures shall be established whereby only persons who have been advised of the potential biohazard, who meet any specific entry requirements, and who comply with all entry and exit procedures shall be allowed to enter the work areas and animal rooms.

(D) When other potentially infectious materials or infected animals are present in the work area or containment module, a hazard warning sign incorporating the universal biohazard symbol shall be posted on all access doors. The hazard warning sign shall comply with paragraph (g)(1)(ii) of this standard.

(E) All activities involving other potentially infectious materials shall be conducted in biological safety cabinets or other physical-containment devices within the containment module. No work with these other potentially infectious materials shall be conducted on the open bench.

(F) Laboratory coats, gowns, smocks, uniforms, or other appropriate protective clothing shall be used in the work area and animal rooms. Protective clothing shall not be worn outside of the work area and shall be decontaminated before being laundered.

(G) Special care shall be taken to avoid skin contact with other potentially infectious materials. Gloves shall be worn when handling infected animals and when making hand contact with other potentially infectious materials is unavoidable.

(H) Before disposal all waste from work areas and from animal rooms shall either be incinerated or decontaminated by a method such as autoclaving known to effectively destroy bloodborne pathogens.

(I) Vacuum lines shall be protected with liquid disinfectant traps and high-efficiency particulate air (HEPA) filters or filters of equivalent or superior efficiency and which are checked routinely and maintained or replaced as necessary.

(J) Hypodermic needles and syringes shall be used only for parenteral injection and aspiration of fluids from laboratory animals and diaphragm bottles. Only needle-locking syringes or disposable syringe-needle units (i.e., the needle is integral to the syringe) shall be used for the injection or aspiration of other potentially infectious materials. Extreme caution shall be used when handling needles and syringes. A needle shall not be bent, sheared, replaced in the sheath or guard, or removed from the syringe following use. The needle and syringe shall be promptly placed in a puncture-resistant container and autoclaved or decontaminated before reuse or disposal.

(K) All spills shall be immediately contained and cleaned up by appropriate professional staff or others properly trained and equipped to work with potentially concentrated infectious materials.

(L) A spill or accident that results in an exposure incident shall be immediately reported to the laboratory director or other responsible person.

(M) A biosafety manual shall be prepared or adopted and periodically reviewed and updated at least annually or more often if necessary. Personnel shall be advised of potential hazards, shall be required to read instructions on practices and procedures, and shall be required to follow them.

(iii) Containment equipment. (A) Certified biological safety cabinets (Class I, II, or III) or other appropriate combinations of personal protection or physical containment devices, such as special protective clothing, respirators, centrifuge safety cups, sealed centrifuge rotors, and containment caging for animals, shall be used for all activities with other potentially infectious materials that pose a threat of exposure to droplets, splashes, spills, or aerosols.

(B) Biological safety cabinets shall be certified when installed, whenever they are moved and at least annually.

(3) HIV and HBV research laboratories shall meet the following criteria:

(i) Each laboratory shall contain a facility for hand washing and an eye wash facility which is readily available within the work area.

(ii) An autoclave for decontamination of regulated waste shall be available.

(4) HIV and HBV production facilities shall meet the following criteria:

(i) The work areas shall be separated from areas that are open to unrestricted traffic flow within the building. Passage through two sets of doors shall be the basic requirement for entry into the work area from access corridors or other contig-

uous areas. Physical separation of the high-containment work area from access corridors or other areas or activities may also be provided by a double-doored clothes-change room (showers may be included), airlock, or other access facility that requires passing through two sets of doors before entering the work area.

(ii) The surfaces of doors, walls, floors and ceilings in the work area shall be water resistant so that they can be easily cleaned. Penetrations in these surfaces shall be sealed or capable of being sealed to facilitate decontamination.

(iii) Each work area shall contain a sink for washing hands and a readily available eye wash facility. The sink shall be foot, elbow, or automatically operated and shall be located near the exit door of the work area.

(iv) Access doors to the work area or containment module shall be self-closing.

(v) An autoclave for decontamination of regulated waste shall be available within or as near as possible to the work area.

(vi) A ducted exhaust-air ventilation system shall be provided. This system shall create directional airflow that draws air into the work area through the entry area. The exhaust air shall not be recirculated to any other area of the building, shall be discharged to the outside, and shall be dispersed away from occupied areas and air intakes. The proper direction of the airflow shall be verified (i.e., into the work area).

(5) *Training Requirements.* Additional training requirements for employees in HIV and HBV research laboratories and HIV and HBV production facilities are specified in paragraph (g)(2)(ix).

(f) *Hepatitis B vaccination and post-exposure evaluation and follow-up—(1) General.* (i) The employer shall make available the hepatitis B vaccine and vaccination series to all employees who have occupational exposure, and post-exposure evaluation and follow-up to all employees who have had an exposure incident.

(ii) The employer shall ensure that all medical evaluations and procedures including the hepatitis B vaccine and vaccination series and post-exposure evaluation and follow-up, including prophylaxis, are:

(A) Made available at no cost to the employee;

(B) Made available to the employee at a reasonable time and place;

(C) Performed by or under the supervision of a licensed physician or by or under the supervision of another licensed healthcare professional; and

(D) Provided according to recommendations of the U.S. Public Health Service current at the time these evaluations and procedures take place, except as specified by this paragraph (f).

(iii) The employer shall ensure that all laboratory tests are conducted by an accredited laboratory at no cost to the employee.

(2) *Hepatitis B Vaccination.* (i) Hepatitis B vaccination shall be made available after the employee has received the training required in paragraph (g)(3)(vii)(1) and within 10 working days of initial assignment to all employees who have occupational exposure unless the employee has previously received the complete hepatitis B vaccination series, antibody testing has revealed that the employee is immune, or the vaccine is contraindicated for medical reasons.

(ii) The employer shall not make participation in a prescreening program a prerequisite for receiving hepatitis B vaccination.

(iii) If the employee initially declines hepatitis B vaccination but at a later date while still covered under the standard decides to accept the vaccination, the employer shall make available hepatitis B vaccination at that time.

(iv) The employer shall assure that employees who decline to accept hepatitis B vaccination offered by the employer sign the statement in appendix A.

(v) If a routine booster dose(s) of hepatitis B vaccine is recommended by the U.S. Public Health Service at a future date, such booster dose(s) shall be made available in accordance with section (f)(1)(ii).

(3) *Post-exposure Evaluation and Follow-up.* Following a report of an exposure incident, the employer shall make immediately available to the exposed employee a confidential medical evaluation and follow-up, including at least the following elements:

(i) Documentation of the route(s) of exposure, and the circumstances under which the exposure incident occurred;

(ii) Identification and documentation of the source individual, unless the employer can establish that identification is infeasible or prohibited by state or local law;

(A) The source individual's blood shall be tested as soon as feasible and after consent is obtained in order to determine HBV and HIV infectivity. If consent is not obtained, the employer shall establish that legally required consent cannot be obtained. When the source individual's consent is not required by law, the source individual's blood, if available, shall be tested and the results documented.

(B) When the source individual is already known to be infected with HBV or HIV, testing for the source individual's known HBV or HIV status need not be repeated.

(C) Results of the source individual's testing shall be made available to the exposed employee, and the employee shall be informed of applicable laws and regulations concerning disclosure of the identi-

ty and infectious status of the source individual.

(iii) Collection and testing of blood for HBV and HIV serological status:

(A) The exposed employee's blood shall be collected as soon as feasible and tested after consent is obtained.

(B) If the employee consents to baseline blood collection, but does not give consent at that time for HIV serologic testing, the sample shall be preserved for at least 90 days. If, within 90 days of the exposure incident, the employee elects to have the baseline sample tested, such testing shall be done as soon as feasible.

(iv) Post-exposure prophylaxis, when medically indicated, as recommended by the U.S. Public Health Service;

(v) Counseling; and

(vi) Evaluation of reported illnesses.

(4) *Information Provided to the Healthcare Professional.* (i) The employer shall ensure that the healthcare professional responsible for the employee's Hepatitis B vaccination is provided a copy of this regulation.

(ii) The employer shall ensure that the healthcare professional evaluating an employee after an exposure incident is provided the following information:

(A) A copy of this regulation;

(B) A description of the exposed employee's duties as they relate to the exposure incident;

(C) Documentation of the route(s) of exposure and circumstances under which exposure occurred;

(D) Results of the source individual's blood testing, if available; and

(E) All medical records relevant to the appropriate treatment of the employee including vaccination status which are the employer's responsibility to maintain.

(5) *Healthcare Professional's Written Opinion.* The employer shall obtain and provide the employee with a copy of the evaluating healthcare professional's written opinion within 15 days of the completion of the evaluation.

(i) The healthcare professional's written opinion for Hepatitis B vaccination shall be limited to whether Hepatitis B vaccination is indicated for an employee, and if the employee has received such vaccination.

(ii) The healthcare professional's written opinion for post-exposure evaluation and follow-up shall be limited to the following information:

(A) That the employee has been informed of the results of the evaluation; and

(B) That the employee has been told about any medical conditions resulting from exposure to blood or other potentially infectious materials which require further evaluation or treatment.

(iii) All other findings or diagnoses shall remain confidential and shall not be included in the written report.

[Sec. 1910.1030(f)(5)(iii)]

(6) *Medical recordkeeping.* Medical records required by this standard shall be maintained in accordance with paragraph (h)(1) of this section.

(g) *Communication of hazards to employees—(1) Labels and signs.* (i) Labels. (A) Warning labels shall be affixed to containers of regulated waste, refrigerators and freezers containing blood or other potentially infectious material; and other containers used to store, transport or ship blood or other potentially infectious materials, except as provided in paragraph (g)(1)(i)(E), (F) and (G).

(B) Labels required by this section shall include the following legend:



BIOHAZARD

[1910.1030(g)(1)(i)(B) corrected by 57 FR 29206, July 1, 1992]

(C) These labels shall be fluorescent orange or orange-red or predominantly so, with lettering and symbols in a contrasting color.

[1910.1030(g)(1)(i)(C) corrected by 57 FR 29206, July 1, 1992]

(D) Labels shall be affixed as close as feasible to the container by string, wire, adhesive, or other method that prevents their loss or unintentional removal.

[1910.1030(g)(1)(i)(D) corrected by 57 FR 29206, July 1, 1992]

(E) Red bags or red containers may be substituted for labels.

(F) Containers of blood, blood components, or blood products that are labeled as to their contents and have been released for transfusion or other clinical use are exempted from the labeling requirements of paragraph (g).

(G) Individual containers of blood or other potentially infectious materials that are placed in a labeled container during storage, transport, shipment or disposal are exempted from the labeling requirements.

(H) Labels required for contaminated equipment shall be in accordance with this paragraph and shall also state which portions of the equipment remain contaminated.

(I) Regulated waste that has been decontaminated need not be labeled or color-coded.

(ii) Signs. (A) The employer shall post signs at the entrance to work areas specified in paragraph (e). HIV and HBV Research Laboratory and Production Facilities, which shall bear the following legend:



BIOHAZARD

(Name of the Infectious Agent)
(Special requirements for entering the area)

(Name, telephone number of the laboratory director or other responsible person.)

[1910.1030(g)(1)(ii)(A) corrected by 57 FR 29206, July 1, 1992]

(B) These signs shall be fluorescent orange-red or predominantly so, with lettering and symbols in a contrasting color.

[1910.1030(g)(1)(ii)(B) corrected by 57 FR 29206, July 1, 1992]

(2) *Information and Training.* (i) Employers shall ensure that all employees with occupational exposure participate in a training program which must be provided at no cost to the employee and during working hours.

(ii) Training shall be provided as follows:

(A) At the time of initial assignment to tasks where occupational exposure may take place:

(B) Within 90 days after the effective date of the standard; and

(C) At least annually thereafter.

(iii) For employees who have received training on bloodborne pathogens in the year preceding the effective date of the standard, only training with respect to the provisions of the standard which were not included need be provided.

(iv) Annual training for all employees shall be provided within one year of their previous training.

(v) Employers shall provide additional training when changes such as modification of tasks or procedures or institution of new tasks or procedures affect the employee's occupational exposure. The additional training may be limited to addressing the new exposures created.

(vi) Material appropriate in content and vocabulary to educational level, literacy, and language of employees shall be used.

(vii) The training program shall contain at a minimum the following elements:

(A) An accessible copy of the regulatory text of this standard and an explanation of its contents:

[1910.1030(g)(2)(vii)(A) corrected by 57 FR 29206, July 1, 1992]

(B) A general explanation of the epidemiology and symptoms of bloodborne diseases:

(C) An explanation of the modes of transmission of bloodborne pathogens;

(D) An explanation of the employer's exposure control plan and the means by which the employee can obtain a copy of the written plan;

(E) An explanation of the appropriate methods for recognizing tasks and other activities that may involve exposure to blood and other potentially infectious materials;

(F) An explanation of the use and limitations of methods that will prevent or reduce exposure including appropriate engineering controls, work practices, and personal protective equipment;

(G) Information on the types, proper use, location, removal, handling, decontamination and disposal of personal protective equipment;

(H) An explanation of the basis for selection of personal protective equipment;

(I) Information on the hepatitis B vaccine, including information on its efficacy, safety, method of administration, the benefits of being vaccinated, and that the vaccine and vaccination will be offered free of charge;

(J) Information on the appropriate actions to take and persons to contact in an emergency involving blood or other potentially infectious materials;

(K) An explanation of the procedure to follow if an exposure incident occurs, including the method of reporting the incident and the medical follow-up that will be made available;

(L) Information on the post-exposure evaluation and follow-up that the employer is required to provide for the employee following an exposure incident;

(M) An explanation of the signs and labels and/or color coding required by paragraph (g)(1); and

(N) An opportunity for interactive questions and answers with the person conducting the training session.

(viii) The person conducting the training shall be knowledgeable in the subject matter covered by the elements contained in the training program as it relates to the workplace that the training will address.

(ix) Additional Initial Training for Employees in HIV and HBV Laboratories and Production Facilities. Employees in HIV or HBV research laboratories and HIV or HBV production facilities shall receive the following initial training in addition to the above training requirements.

(A) The employer shall assure that employees demonstrate proficiency in standard microbiological practices and techniques and in practices and operations specific to the facility before being allowed to work with HIV or HBV.

(B) The employer shall assure that employees have prior experience in the handling of human pathogens or tissue cultures before working with HIV or HBV.

(C) The employer shall provide a training program to employees who have no prior experience in handling human pathogens. Initial work activities shall not include the handling of infectious agents. A progression of work activities shall be assigned as techniques are learned and proficiency is developed. The employer shall assure that employees participate in work activities involving infectious agents only after proficiency has been demonstrated.

(h) *Recordkeeping*—(1) *Medical Records.* (i) The employer shall establish and maintain an accurate record for each employee with occupational exposure, in accordance with 29 CFR 1910.20.

(ii) This record shall include:

(A) The name and social security number of the employee;

(B) A copy of the employee's hepatitis B vaccination status including the dates of all the hepatitis B vaccinations and any medical records relative to the employee's ability to receive vaccination as required by paragraph (f)(2);

(C) A copy of all results of examinations, medical testing, and follow-up procedures as required by paragraph (f)(3);

(D) The employer's copy of the healthcare professional's written opinion as required by paragraph (f)(5); and

(E) A copy of the information provided to the healthcare professional as required by paragraphs (f)(4)(ii)(B)(C) and (D).

(iii) Confidentiality. The employer shall ensure that employee medical records required by paragraph (h)(1) are:

(A) Kept confidential; and

(B) Not disclosed or reported without the employee's express written consent to any person within or outside the workplace except as required by this section or as may be required by law.

[1910.1030(h)(1)(iii)(B) corrected by 57 FR 29206, July 1, 1992]

(iv) The employer shall maintain the records required by paragraph (h) for at least the duration of employment plus 30

years in accordance with 29 CFR 1910.20.

(2) *Training Records.* (i) *Training records shall include the following information:*

(A) The dates of the training sessions;

(B) The contents or a summary of the training sessions;

(C) The names and qualifications of persons conducting the training; and

(D) The names and job titles of all persons attending the training sessions.

(ii) Training records shall be maintained for 3 years from the date on which the training occurred.

(3) *Availability.* (i) The employer shall ensure that all records required to be maintained by this section shall be made available upon request to the Assistant Secretary and the Director for examination and copying.

(ii) Employee training records required by this paragraph shall be provided upon request for examination and copying to employees, to employee representatives, to the Director, and to the Assistant Secretary.

[1910.1030(h)(3)(ii) corrected by 57 FR 29206, July 1, 1992]

(iii) Employee medical records required by this paragraph shall be provided upon request for examination and copying to the subject employee, to anyone having written consent of the subject employee, to the Director, and to the Assistant Secretary in accordance with 29 CFR 1910.20.

(4) *Transfer of Records.* (i) The employer shall comply with the requirements involving transfer of records set forth in 29 CFR 1910.20(h).

(ii) If the employer ceases to do business and there is no successor employer to receive and retain the records for the prescribed period, the employer shall notify the Director, at least three months prior to their disposal and transmit them to the Director, if required by the Director to do so, within that three month period.

(i) *Dates*—(1) *Effective Date.* The standard shall become effective on March 6, 1992.

(2) The Exposure Control Plan required by paragraph (c) of this section shall be completed on or before May 5, 1992.

[1910.1030(i)(2) corrected by 57 FR 29206, July 1, 1992]

(3) Paragraph (g)(2) Information and Training and (h) Recordkeeping shall take effect on or before June 4, 1992.

(4) Paragraphs (d)(2) Engineering and Work Practice Controls, (d)(3) Personal Protective Equipment, (d)(4) Housekeeping, (e) HIV and HBV Research Laboratories and Production Facilities, (f) Hepatitis B Vaccination and Post-Exposure Evaluation and Follow-up, and (g)(1) Labels and Signs, shall take effect July 6, 1992.

Appendix A to Section 1910.1030—Hepatitis B Vaccine Declination (Mandatory)

I understand that due to my occupational exposure to blood or other potentially infectious materials I may be at risk of acquiring hepatitis B virus (HBV) infection. I have been given the opportunity to be vaccinated with hepatitis B vaccine, at no charge to myself. However, I decline hepatitis B vaccination at this time. I understand that by declining this vaccine, I continue to be at risk of acquiring hepatitis B, a serious disease. If in the future I continue to have occupational exposure to blood or other potentially infectious materials and I want to be vaccinated with hepatitis B vaccine, I can receive the vaccination series at no charge to me.

(Approved by the Office of Management and Budget under control number 1218-0180)

[OMB number added by 57 FR 12717, April 13, 1992]

§§1910.1031—1910.1042. [Reserved]

[The next page is 31:8651]

**SOUTHERN STATES UTILITIES - SAFETY DEPARTMENT
SAFE OPERATING PROCEDURE**

SUBJECT:	Bloodborne Pathogens	SOP NUMBER:	1
PREPARED BY:	Safety Administrator <i>SB</i>	REVISION:	NEW
APPROVED BY:	VP for Corporate Services	SIGNATURE:	<i>Paul Alan Sealey</i>

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**SOUTHERN STATES UTILITIES - SAFETY DEPARTMENT
SAFE OPERATING PROCEDURE****SUBJECT: Bloodborne Pathogens****SOP NUMBER: 1****i. PURPOSE:**

To establish a program for preventing injury/illness to Southern States Utilities employees by protecting them from exposure to bloodborne pathogens. See Glossary of Terms for definition.

ii. OBJECTIVES:

- A. To identify minimum Bloodborne Pathogen Procedure requirements for SSU operations and employees;
- B. To prevent employee injury or illness as the result of accidental and/or unprotected exposure to bloodborne pathogens in the workplace; and
- C. To comply with State and Federal requirements for employers to establish a written Bloodborne Pathogen Program and procedures for the protection of employees.

iii. SCOPE:

This SOP applies to all SSU employees who are either identified as "occupationally exposed" or who inadvertently become exposed to bloodborne pathogens while performing their duties as SSU employees. It:

- 1. Establishes procedures for determining occupational exposure;
- 2. Provides mandatory guidance for protecting affected employees including: employee training, personal protective equipment requirements, medical inoculations, and operating procedure guidelines;
- 3. Identifies the actions that must be taken following the report of an exposure incident; and
- 4. Establishes record keeping and report requirements.

IV. DEFINITIONS:

Refer to Appendix A - Glossary of Terms.

V. DISCUSSION:

It has been determined that SSU employees in certain job classifications, may face a health risk as the result of occupational exposure to blood and other potentially infectious materials (OPIM) because of bloodborne pathogens. The pathogens of

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greatest concern are: HBV which causes Hepatitis B, a serious liver disease, and HIV, which causes Acquired Immunodeficiency Syndrome (AIDS). Infection with either HBV or HIV can lead to a number of life-threatening conditions, including cancer. They are considered the most significant health threats of all the bloodborne pathogens.

Research into the potential for exposure of employees to HBV or HIV through wastewater collection systems and treatment plants indicates that these viruses should not survive in the changing temperature, chemical and pH levels present in modern wastewater collection systems and treatment processes. However, since this research is not yet conclusive SSU offers voluntary compliance with the Occupational Safety and Health Administration Bloodborne Pathogen Standard through this SOP.

The hazard of exposure to bloodborne pathogens can be minimized or eliminated using a combination of engineering and work practice controls, personal protective clothing and equipment, training, medical surveillance, signs and labels, and other provisions. Hepatitis B, for example, is preventable by vaccination.

VI. DUTIES AND RESPONSIBILITIES:

A. Vice Presidents/Regional Managers having one or more employees with occupational exposure as defined in the Glossary of Terms, Appendix A, are responsible for:

1. Implementation of the Bloodborne Pathogen Procedures Program for all operations under their control;
2. Ensuring an annual review/update is conducted by the thirtieth of June each year of job classifications listed in SSU's most current Exposure Determination Evaluation, Appendix B of this SOP. Section VII (pages 5+) refers; and
3. Monitoring supervisors to ensure they provide sufficient training, equipment and healthcare services to allow their employees to be adequately informed and work safely in the presence of bloodborne pathogens.

B. Supervisory Personnel are responsible for:

1. Conducting a review of job classifications for positions under their control to help identify those job classifications where there is at least some risk of occupational exposure to bloodborne pathogens as discussed in section VII, (pages 5+). The review must be completed annually, by June thirtieth, using the Bloodborne Pathogen Exposure Determination, form No. S-17, (attached);

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2. Coordinate with the Human Resources Department and the Manager of Administrative Services as necessary to provide their affected employees with healthcare services as discussed in section IX, (pages 7+);
 3. Establishing methods and procedures for protecting affected employees from exposure to bloodborne pathogens. These procedures must effectively address their employee's particular work assignment and also be consistent with the minimum requirements of Appendix C;
 4. Ensuring employees under their control receive appropriate training in accordance with this procedure; and
 5. Ensuring an Infectious Exposure Report and a Notice of Injury Report, Form DWC-1, are completed for every employee under their supervision who becomes involved in an exposure incident.
- C. SSU Employees will:
1. Follow established procedures for protecting themselves so as to prevent incidents of exposure to bloodborne pathogens;
 2. Use the personal protective equipment provided for their protection as instructed; and
 3. Immediately report any incidents to their supervisors where they have come into physical contact with another person's blood or blood products while working or if they have been injured (for example needle sticks) or been exposed to bloodborne pathogens.
- D. The Human Resources Manager will develop and implement procedures as necessary to ensure the following requirements are accomplished:
1. The establishment and maintenance of a Medical Records Program in support of this Safe Operating Procedure and consistent with OSHA regulation 29 CFR 1910.20.
 2. Coordination with affected departments whenever new employees are hired to positions where there is a risk of occupational exposure to bloodborne pathogens to ensure they are offered Hepatitis B vaccinations; and

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3. Ensure all employee medical documentation received by SSU as the result of Hepatitis B vaccinations or post-exposure evaluation and follow-up is placed in the employee's medical record per section XI.A., (page 14).

E. The Manager of Administrative Services will ensure:

1. Coordination between SSU employees, their respective supervisors and the appropriate healthcare professional following an exposure incident to ensure all post exposure evaluation and follow-up activities identified in section IX.D., (pages 8 +), are completed; and
2. All required documentation for the above activities is accomplished, with SSU's copies of employee medical documentation forwarded to the Human Resources Department for placement in the employee's medical record per section XI.A., (page 14).

F. The Safety Administrator will provide overall administration of the Bloodborne Pathogen Program to ensure compliance. Additionally, the Safety Administrator will be responsible for:

1. Administration of the Bloodborne Pathogen Safe Operating Procedure;
2. Coordination of the annual Exposure Determination Review;
3. Periodic evaluation of the program's effectiveness; and
4. Assisting with bloodborne pathogen training programs and safety meetings to reinforce safe practices for all supervisors and employees.

VII. EXPOSURE DETERMINATION:

As required by OSHA, a review/update of SSU's Exposure Determination Evaluation, Appendix B of this SOP, will be conducted annually by June thirtieth of each year. This review will identify those job classifications where there is risk of occupational exposure to blood, blood products and other potentially infectious materials. Refer to Appendix A, Glossary of Terms - "Occupational Exposure."

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Copies of the Bloodborne Pathogen Exposure Determination, Form No. S-17 (attached), will be completed to document the review with a copy forwarded to the Vice President for Corporate Services. The annual exposure determination review shall contain the following:

- A. A list of all SSU job classifications in which all employees have occupational exposure;
- B. A list of job classifications in which some employees have occupational exposure; and
- C. A list of all tasks and procedures or groups of closely related tasks and procedures in which occupational exposure occurs and that are performed by SSU employees in job classifications where some employees have occupational exposure, see subparagraph B. above.

NOTE:

This exposure determination shall be made without regard to the use of personal protective equipment. For example, a job classification must be identified on Form S-17 even when the employee will be given personal protective equipment and the supervisor considers the employee fully protected against exposure.

VIII. COMPLIANCE METHODS:

The regulations are quite specific with regard to the required contents of this SOP. We recognize that, as a matter of course, employees are not typically exposed to hypodermic needles, "sharps" or concentrated quantities of blood or blood by-products. However, blood is certainly present in wastewater and there is an opportunity for occasional exposure to needles and other medical-related items that may pass through our collection systems. (Please refer to the "Discussion" section of this manual for a clarification of the environmental conditions necessary to for proper incubation of these viruses.) Additionally, workers may, on occasion, be exposed to blood or other potentially infectious materials resulting from coworker injury, etc. As a result, there is a potential for employee injury or exposure as discussed above.

Appendix C, Protective Measures Against Exposure to Bloodborne Pathogens, establishes the minimum requirements consistent with State and Federal guidelines that must be instituted by supervisors for protecting any employee who has been identified as being at risk of occupational exposure to bloodborne pathogens.

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SAFE OPERATING PROCEDURE****SUBJECT: Bloodborne Pathogens****SOP NUMBER: 1****IX. HEPATITIS B VACCINATION AND POST-EXPOSURE EVALUATION AND FOLLOW-UP:****A. General.**

1. All employees will be offered the **Hepatitis B vaccine** and vaccination series if they have been identified as having an "occupational exposure" to blood or other potentially infectious materials. All employees who experience an exposure incident, will be provided post exposure evaluation and follow-up.
2. The medical evaluations and procedures involving both the **Hepatitis B vaccine** and vaccination series and **post-exposure evaluation and follow-up**, including prophylaxis, will be:
 - a. Made at no cost to the employee;
 - b. Made available to the employee at a reasonable time and place;
 - c. Performed by or under the supervision a Company designated physician or by or under the supervision of another licensed healthcare professional; and
 - d. Provided according to recommendations of the U.S. Public Health Service current at the time these evaluations and procedures take place, except as specified by this section, section IX, of the Safe Operating Procedure.
3. All laboratory tests will be conducted by an accredited laboratory at no cost to the employee.

- B. Hepatitis B Vaccination.** The Hepatitis B vaccination will be made available after an employee has received the required training and within 10 working days of their initial assignment to work involving the potential for occupational exposure to blood or other potentially infectious materials.

The Hepatitis B vaccine may be waived if the employee has previously had the vaccine and can provide appropriate documentation or, if the documentation is not available, wishes to submit to antibody testing which shows the employee has sufficient immunity.

If the vaccine is waived for an employee, then copies of either the documentation provided by the employee or the antibody test results (used as a basis for granting the waiver) will be maintained in the employee's medical record.

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1. New employees will be screened using the Physical Activity Demands Assessment, form HR#147, during new employee processing. Those considered "occupationally exposed" will be sent to a Company designated physician following successful completion of the new employee physical exam. At that time, they will be provided counseling about the Hepatitis B vaccination series. They will then be offered the vaccine.
 2. If an employee is promoted or reassigned into a job classification where they are now considered "occupationally exposed" - their supervisor will coordinate with the Human Resources Department and Company designated physicians to offer them the Hepatitis B vaccine.
- C. Declination. Employees who do not receive a waiver for the Hepatitis B vaccine as discussed above but refuse to receive the vaccine will sign a copy of the SSU Hepatitis B Vaccine Declination form (see sample attached). A signed copy of the Hepatitis B Declination form will be maintained in the employee's medical record until such time as the employee elects to receive the vaccination.

NOTE:

Employees who initially decline the vaccine but who later wish to have it may then have the vaccine provided at no cost if they are still considered occupationally at risk.

- D. Post Exposure Evaluation and Follow-up.
1. When an SSU employee experiences an exposure incident, they should report it promptly to their supervisor and the Manager of Administrative Services. An Infectious Exposure Report and a Notice of Injury form (DWC-1) will be completed in all cases. A confidential medical evaluation and follow-up will immediately be provided to the exposed employee including at least the following elements:
 - a. Documentation of the route(s) of exposure, and the circumstances under which the incident occurred;
 - b. Identification and documentation of the source individual, unless that identification is infeasible or prohibited by State or local law;

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- (1) The source individual's blood shall be tested as soon as feasible and after consent is obtained in order to determine HBV and HIV infectivity. If consent is not obtained, a memorandum of record will be placed in the employee's medical record to establish that legally required consent cannot be obtained. When the source individual's consent is not required by law, the source individual's blood, if available, shall be tested and the results documented.
 - (2) When the source individual is already known to be infected with HBV or HIV, testing for the source individual's known HBV or HIV status need not be repeated.
 - (3) Results of the source individual's testing shall be made available to the exposed employee and the employee shall be informed of applicable laws and regulations concerning disclosure of the identity and infectious status of the source individual.
- c. Collection and testing of blood for HBV and HIV serological status;
- (1) The exposed employee's blood shall be collected as soon as feasible and tested after consent is obtained.
 - (2) If the employee consents to baseline blood collection, but does not give consent at that time for HIV serological testing, the sample shall be preserved for at least 90 days. If, within 90 days of the exposure incident, the employee elects to have the baseline sample tested, such testing shall be done as soon as feasible.
- d. Post-exposure prophylaxis, when medically indicated, as recommended by the U.S. Public Health Service;
- e. Counseling; and
- f. Evaluation of reported illness.

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E. Information Provided to the Healthcare Professional.

1. In the case of Hepatitis B vaccination: The healthcare professional responsible for the employee's Hepatitis B vaccination will be provided a copy of this Safe Operating Procedure and OSHA regulation 29 CFR 1910.1030.
2. In the case of an exposure incident: The healthcare professional evaluating an employee after an exposure incident will be provided the following information:
 - a. A copy of this Safe Operating Procedure and OSHA regulation 29 CFR 1910.1030;
 - b. A description of the exposed employee's duties as they relate to the exposure incident;
 - c. Documentation of the route of exposure and circumstances under which exposure occurred (SSU Exposure Incident form);
 - d. Results of the source individual's blood testing, if available; and
 - e. All medical records relevant to the appropriate treatment of the employee including vaccination status as maintained in the employee's medical record.

F. Healthcare Professional's Written Opinion.

1. In the case of either Hepatitis B vaccination or an exposure incident: The employee will be provided with a copy of the evaluating healthcare professional's written opinion within 15 days of the completion of the evaluation.
 - a. In the case of Hepatitis B vaccination: The healthcare professional's written opinion for Hepatitis B vaccination shall be limited to whether Hepatitis B vaccination is indicated for an employee, and if the employee has received such vaccination.
 - b. In the case of an exposure incident: The healthcare professional's written opinion for post-exposure evaluation and follow-up shall be limited to the following information:
 - (1) That the employee has been informed of the results of the evaluation; and

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(2) That the employee has been told about any medical conditions resulting from exposure to blood or other potentially infectious materials which require further evaluation or treatment.

c. In both cases: All other findings or diagnoses shall remain confidential and shall not be included in the written report.

G. Medical Recordkeeping.

In the case of both Hepatitis B vaccination and an exposure incident: Medical records required by this Safe Operating Procedure shall be maintained in accordance with section XI., (page 14), of this Safe Operating Procedure.

X. COMMUNICATION OF HAZARDS TO EMPLOYEES:

The Occupational Safety and Health Administration has established the following as *minimum requirements for hazard communication* to employees regarding bloodborne pathogens and other potentially infectious materials. Although some of these requirements do not apply directly either to wastewater or other SSU operations, supervisors should be aware of them and ensure compliance where applicable. Section X.B., Information and Training (pages 12+) is required for all employees and their supervisors listed in Appendix B. of this SOP.

A. Labels.

1. Warning labels shall be affixed to containers of regulated waste, refrigerators and freezers containing potentially infectious material; and other containers used to store, transport or ship potentially infectious materials, except as provided in subparagraphs 5, 6, and 7. below.
2. Labels required by this sections shall include the following legend:

**BIOHAZARD**

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3. These labels shall be fluorescent orange or orange-red or predominantly so, with lettering or symbols in a contrasting color.
 4. Required labels will be affixed as close as feasible to the container by string, wire, adhesive, or other method that prevents their loss or unintentional removal.
 5. Red bags or red containers may be substituted for labels.
 6. Containers of blood, blood components, or blood products that are labeled as to their contents and have been released for transfusion or other clinical use, are exempt from the labeling requirements of this Safe Operating Procedure.
 7. Individual containers of blood or other potentially infectious materials that are placed in a labeled container during storage, transport, shipment or disposal are exempted from the labeling requirement.
 8. Labels required for contaminated equipment shall be in accordance with the above paragraphs and shall also state which portions of the equipment remain contaminated.
 9. Regulated waste that has been decontaminated need not be labeled or color-coded.
- B. Information and Training. The Safety Administrator shall provide new SSU employees with initial safety orientation training which will include general information about this Safe Operating Procedure, an explanation of what bloodborne pathogens are, what precautions employees should take to protect themselves and a discussion of the types and kinds of personal protective equipment that are provided to SSU employees. Supervisors are responsible for providing employees with information and training on specific activities in their work areas that involve bloodborne pathogens and the precautions that have been implemented for employee protection.
1. **Information.** Employees Shall be informed of:
 - a. The requirements of this Standard Operating Procedure and means whereby the employee may acquire a copy of the procedure;
 - b. Any tasks or procedures conducted at the facility which might cause exposure to blood or other potentially infectious materials;

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- c. The location and availability for review by the employee of this Safe Operating Procedure and other associated facility operating procedures.
2. **Training.** Employees must receive initial training prior to assignment to any task involving risk of exposure to bloodborne pathogens and then at least annually thereafter. Additional training must be held or coordinated by supervisors when changes such as modification of tasks or procedures affect the employee's occupational exposure. The additional training may be limited to addressing the new exposures created. Training will include an explanation of the following:
 - a. Epidemiology and symptomatology of bloodborne diseases;
 - b. Modes of transmission of bloodborne pathogens;
 - c. This Safe Operating Procedure and any specific department/facility operating procedures established to ensure employee protection from exposure to bloodborne pathogens;
 - d. Control methods which are used by the facility to prevent or reduce exposure to blood or other potentially infectious materials;
 - e. Information on the types, proper use, location, removal, handling, decontamination and disposal of personal protective equipment;
 - f. An explanation of the basis for selection of personal protective equipment;
 - g. How exposure incidents are reported;
 - h. Post exposure evaluation and follow-up procedures;
 - i. Identification/explanation of any signs or labels in use; and
 - j. A discussion of SSU's Hepatitis B vaccination program, including information of its efficacy, safety, method of administration, the benefits of being vaccinated, and that the vaccine and vaccination will be offered free of charge.

An opportunity must be provided for interactive questions and answers with the person conducting the training session.

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3. **Instructor Qualifications.** The person conducting the above training shall be knowledgeable in the subject matter covered by the elements contained in the training program as it relates to the workplace that the training will address.

XI. RECORDKEEPING:**A. Medical Records.**

1. The Human Resources Department, workers' compensation insurance carrier and medical provider will establish and maintain accurate records for each employee with occupational exposure, in accordance with this Safe Operating Procedure and consistent with the requirements of OSHA regulation 29 CFR 1910.20.
2. This record shall include:
 - a. The name and social security number of the employee;
 - b. A copy of the employee's Hepatitis B vaccination status including the dates of all the Hepatitis B vaccinations and any medical records relative to the employee's ability to receive vaccination as required by paragraphs IX.B., and IX.C., (pages 7+);
 - c. A copy of all results of examinations, medical testing, and follow-up procedures as required by paragraph IX.D., (pages 8+);
 - d. A copy of the attending physician's written opinion as required by paragraph IX.F., (pages 10+); and
 - e. A copy of the information provided to the designated physician as required by paragraphs IX.E.2.b., IX.E.2.c., and IX.E.2.d., (page 10).
3. **Confidentiality.** The health care provider, workers' compensation insurance carrier and Human Resources Manager shall establish procedures to ensure employee medical records required by paragraph XI.A., (page 14), are:
 - a. Kept confidential; and
 - b. Are not disclosed or reported without the employee's express written consent to any person within or outside the workplace

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except as required by this section or as may be required by law.

4. Medical records will be maintained as required by paragraph XI.A., (page 14), for at least the duration of employment plus 30 years, consistent with OSHA regulation 29 CFR 1910.20.

B. Training Records.

1. Training records shall include the following information:
 - a. The dates of training sessions;
 - b. The contents or a summary of the training sessions;
 - c. The names and qualifications of persons conducting the training; and
 - d. The names and job titles of all persons attending the training sessions.
2. Training records shall be maintained for 3 years from the date on which the training occurred.

C. Availability.

1. Vice presidents/Regional Managers shall ensure that the records required to be maintained by this section, section XI., and under their respective control are made available upon request to the Assistant Secretary and the Director (please see Glossary of Terms) for examination and copying.
2. Employee training records required by this paragraph shall be provided upon request for examination and copying to employees, to employee representatives, to the Director and to the Assistant Secretary in accordance with OSHA Regulation 29 CFR 1910.20.
3. Employee medical records required by this section shall be provided upon written request for examination and copying to the subject employee, to anyone having written consent of the subject employee, to the Director and to the Assistant Secretary in accordance with OSHA Regulation 29 CFR 1910.20.

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Effective Date: October 31, 1994

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GLOSSARY OF TERMS

Assistant Secretary - The Assistant Secretary of Labor for Occupational Safety and Health or designated representatives.

Blood - Human blood, human blood components, and products made from human blood.

Bloodborne Pathogens - Pathogenic microorganisms that are present in human blood and can cause disease in humans. These pathogens include, but are not limited to, hepatitis B virus (HBV) and human immunodeficiency virus (HIV).

Clinical Laboratory - A workplace where diagnostic or other screening procedures are performed on blood or other potentially infectious materials.

Contaminated - The presence or the reasonably anticipated presence of blood or other potentially infectious materials on an item or surface.

Contaminated Laundry - Laundry which has been soiled with blood or other potentially infectious materials or may contain sharps.

Contaminated Sharps - Any contaminated object that can penetrate the skin including, but not limited to, needles, scalpels, broken glass, broken capillary tubes, and exposed ends of dental wires.

Decontamination - The use of physical or chemical means to remove, inactivate, or destroy bloodborne pathogens on a surface or item to the point where they are no longer capable of transmitting infectious particles and the surface or item is rendered safe for handling, use or disposal.

Director - The director of the National Institute for Occupational Safety and Health, U.S. Department of Health and Human Services, or designated representatives.

Engineering Controls - Controls (e.g., sharps disposal containers, self-sheathing needles) that isolate or remove the bloodborne pathogens hazard from the workplace.

Exposure Incident - A specific eye, mouth, other mucous membrane, non-intact skin, or parenteral contact with blood or other potentially infectious materials that results from the performance of an employee's duties.

Handwashing Facilities - A facility providing an adequate supply of running potable water, soap and single use towels or hot air drying machines.

Licensed Healthcare Professional - A person whose legally permitted scope of practice allows him or her to independently perform the activities required by section IX. (pages 7 +) of this Safe Operating Procedure, "Hepatitis B vaccination and Post-Exposure Evaluation and Follow-up." This will normally also be a Company designated Physician.

GLOSSARY OF TERMS (CONTINUED)

HBV - Hepatitis B Virus.

HIV - Human Immunodeficiency Virus.

Occupational Exposure - Reasonably anticipated skin, eye, mucous membrane, or parenteral contact with blood or other potentially infectious materials that may result from the performance of an employee's duties.

Occupations where SSU employees are considered to be at risk of exposure are listed in Appendix B.

NOTE:

Occupational Exposure does not cover "good samaritan" acts which result in exposure to blood or other potentially infectious materials from assisting a fellow employee or private citizen at an SSU facility, although SSU will provide follow-up procedures in such cases.

OPIM - See Other Potentially Infectious Materials.

Other Potentially Infectious Materials (OPIM) - means:

- A. The following human body fluids: semen, vaginal secretions, cerebrospinal fluid, synovial fluid, pleural fluid, pericardial fluid, peritoneal fluid, amniotic fluid, saliva in dental procedures, any body fluid that is visibly contaminated with blood, and all body fluids in situations where it is difficult or impossible to differentiate between body fluids;
- B. Any unfixed tissue or organ (other than skin contact) from a human (living or dead); and
- C. HIV-containing cell or tissue cultures, organ cultures and HIV-or HBV-containing culture medium or other solutions; and blood, organs, or other tissues from experimental animals infected with HIV or HBV.

Parenteral - Piercing mucous membranes or the skin barrier through such events as needlesticks, human bites, cuts, and abrasions.

Percutaneous - Effected, passed or performed through or by means of the skin.

Personal Protective Equipment - Specialized clothing or equipment worn by an employee for protection against a hazard. General work clothes (e.g., uniforms, pants, shirts or blouses) not intended to function as protection against a hazard are not considered to be personal protection equipment.

GLOSSARY OF TERMS (CONTINUED)

Regulated Waste - Liquid or semi-liquid blood or other potentially infectious materials; contaminated items that would release blood or other potentially infectious materials in a liquid or semi-liquid state if compressed; items that are caked with dried blood or other potentially infectious materials and are capable of releasing these materials during handling; contaminated sharps; and pathological and microbiological wastes containing blood or other potentially infectious materials.

Source Individual - Means any individual, living or dead, whose blood or other potentially infectious materials may be a source of occupational exposure to the employee. Examples include, but are not limited to, hospital and clinic patients; trauma victims; and human remains.

Sterilize - The use of a physical or chemical procedure to destroy all microbial life including highly resistant bacterial endospores.

Universal Precautions - An approach to infectious control. According to the concept of Universal Precautions, all Human blood and certain human body fluids are treated as if known to be infectious for HIV, HBV, and other bloodborne pathogens.

Work Practice Controls - Controls that reduce the likelihood of exposure by altering the manner in which a task is performed (e.g., prohibiting recapping of needles by a two-handed technique).

SOUTHERN STATES UTILITIES

BLOODBORNE PATHOGEN EXPOSURE DETERMINATION - 1994			
List all job classifications in which at least <u>some</u> employees are at risk of exposure to Bloodborne Pathogens. A review and update of this form must be completed annually.			
Job Classification	Employee Occupational Exposure (✓ one) All Some		Where there is risk to <u>some</u> employees: List tasks or procedures, which may cause occupational exposure.
Area Supervisor I		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Area Supervisor II		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Chief Operator		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Electrician		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Lead Maintenance Technician		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Lead Operator I		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Lead Operator II		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Lead Operator III		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Lead Operator IV		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Maintenance Helper		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Maintenance Technician I		✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
REVIEWER'S SIGNATURE:			DATE:
POSITION TITLE:			PHONE NUMBER:
VICE PRESIDENT/REGIONAL MANAGER REVIEW			
SIGNATURE:			DATE:

Distribution: VP/Regional Manager File
 (one) Safety Department

Form No. J-17
Rev. 0/06-20-94

SOUTHERN STATES UTILITIES

BLOODBORNE PATHOGEN EXPOSURE DETERMINATION - 1994		
List all job classifications in which at least <u>some</u> employees are at risk of exposure to Bloodborne Pathogens. A review and update of this form must be completed annually.		
Job Classification	Employee Occupational Exposure (✓ one) All Some	Where there is risk to <u>some</u> employees: List tasks or procedures, which may cause occupational exposure.
Maintenance Technician II	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Operator I	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Operator II	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Operator III	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Operator IV	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Operator Trainee	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Senior Maintenance Technician	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Supervisor, Field Maintenance	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
Welder	✓	Operation, maintenance & repair of wastewater collection systems and/or treatment plants.
REVIEWER'S SIGNATURE:		DATE:
POSITION TITLE:		PHONE NUMBER:
VICE PRESIDENT/REGIONAL MANAGER REVIEW		
SIGNATURE:		DATE:

Distribution: VP/Regional Manager File
 (✓ one) Safety Department

PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS

The regulations are quite specific with regard to the required contents of this SOP. We recognize that, as a matter of course, employees are not typically exposed to hypodermic needles, "sharps" or concentrated quantities of blood or blood by-products. However, blood is certainly present in wastewater and there is an opportunity for occasional exposure to needles and other medical-related items that may pass through our collection systems. Additionally, workers may, on occasion, be exposed to blood or other potentially infectious materials resulting from coworker injury, etc. As a result, there is a potential for employee injury or exposure.

The following procedures establish the minimum requirements that must be instituted by supervisors for protecting any employee who has been identified as being at risk of exposure to bloodborne pathogens:

- A. General. Universal Precautions shall be observed to prevent contact with blood or other potentially infectious materials.

NOTE:

Under circumstances in which differentiation between body fluid types is difficult or impossible, all body fluids shall be considered potentially infectious materials.

- B. Engineering and Work Practice Controls.

1. Engineering and work practice controls shall be used to eliminate or minimize employee exposure. Where occupational exposure remains after institution of these controls, personal protective equipment shall be used.
2. Engineering controls shall be examined and maintained or replaced on a regular schedule to ensure their effectiveness.
3. Area supervisors/facility managers will ensure, where feasible, that handwashing facilities are readily accessible to employees.
4. When handwashing facilities are not feasible at the work site, the area supervisors/facility managers will establish procedures for providing employees either an appropriate antiseptic hand cleanser in conjunction with clean cloth/paper towels or antiseptic towelettes.

NOTE:

When antiseptic hand cleansers or towelettes are used, employees will be instructed to wash with soap and running water as soon as feasible.

PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)

5. Supervisors shall ensure that employees wash their hands immediately or as soon as feasible after removal of gloves or other personal protective equipment.
6. Supervisors shall ensure that employees wash hands and any other skin with soap and water, or flush mucous membranes with water immediately or as soon as feasible following contact of such body areas with blood or other potentially infectious materials.
7. From time to time, needles and other contaminated sharps may be observed in SSU's wastewater collection systems or wastewater treatment plants. If it is not necessary to remove these items, they should be left alone. If removal is necessary, extreme caution should be exercised in handling them. Additionally, contaminated needles and other contaminated sharps shall not be bent, recapped, or removed except as noted below:
 - a. Contaminated needles and other contaminated sharps shall not be recapped nor shall the needle be disconnected from the syringe or other parts of the item unless approved by the respective Vice President/Regional Manager and it can be demonstrated that no alternative is feasible that will allow adequate safeguarding or disposal.
 - b. Any such recapping or needle removal must be accomplished through the use of a mechanical device or a one-handed technique.

NOTE:

Shearing or breaking of contaminated needles is prohibited.

8. When discovered, contaminated sharps shall be placed in an appropriate container until proper disposal can occur. These containers shall be:
 - a. Puncture resistant;
 - b. Labeled or color-coded in accordance with this procedure;
 - c. Leakproof on the sides and bottom; and
 - d. In accordance with the requirements set forth in paragraph D.2.e. of this Appendix, (page 7), for reusable sharps.

PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)

NOTE:

These containers may be available locally through city/county Public Health Units, Fire Rescue Services or as a public service from local hospitals. If you have a biohazardous waste disposal requirement and need assistance - contact the Safety Administrator.

Refer to Section D.3. - Regulated Waste, of this appendix (page APPENDIX C 7+), for a discussion of proper disposal procedures for Biohazardous waste.

9. Eating, drinking, smoking, applying cosmetics or lip balm, and handling contact lenses are prohibited in work areas where there is a reasonable likelihood of occupational exposure.

NOTE:

Hand cream is not considered a "cosmetic" and is permitted. However, if gloves are worn for protection, it should be noted that some petroleum-based hand creams can adversely affect glove integrity.

10. Food and drink shall not be kept in refrigerators, freezers, shelves, cabinets or on countertops or benchtops where blood or other potentially infectious materials are present.
11. All procedures involving blood or other potentially infectious materials shall be performed in such a manner as to minimize splashing, spraying, spattering and generation of droplets of these substances.
12. Mouth pipetting/suctioning of blood or other potentially infectious materials is prohibited.
13. Specimens of blood or other potentially infectious materials shall be placed in a container which prevents leakage during collection, handling, processing, storage, transport, or shipping.
 - a. The container for storage, transport, or shipping shall be labeled or color-coded according to paragraph X.A., (pages 11 + of the SOP), and closed prior to being stored, transported, or shipped. When a facility utilizes Universal Precautions in the handling of all specimens, the

PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)

labeling/ color-coding of specimens is not necessary provided containers are recognizable as containing specimens. This exemption only applies while such specimens/containers remain within the facility. Labeling or color-coding in accordance with paragraph X.A., (pages 11+ of the SOP), is required when such specimens/ containers leave the facility.

- b. If outside contamination of the primary container occurs, the primary container shall be placed within a second container which prevents leakage during handling, processing, storage, transport or shipping and is labeled or color-coded according to the requirements of this procedure.
- c. If the specimen could puncture the primary container, the primary container shall be placed within a secondary container which is puncture-resistant in addition to the above characteristics.

14. Equipment which may become contaminated with blood or other potentially infectious materials shall be examined prior to servicing or shipping and shall be decontaminated as necessary, unless approval is granted by the respective Area Supervisor/Facility Manager and it can demonstrate that decontamination of such equipment or portions of such equipment is not feasible.

- a. A readily observable label in accordance with paragraph X.A., (pages 11+ of the SOP), shall be attached to the equipment stating which portions remain contaminated.
- b. The respective Area Supervisor/Facility Manager shall ensure that this information is conveyed to all affected employees, the servicing representative, and/or the manufacture, as appropriate, prior to handling, servicing, or shipping so that appropriate precautions will be taken.

C. Personal Protective Equipment.

- 1. **Provision.** When there is occupational exposure, Vice Presidents/Regional Managers shall ensure appropriate personal protective equipment is provided to their employees free of charge. A determination of which items of personal protective equipment are appropriate for the activities being undertaken must be made by the respective Vice President/Regional Manager. This equipment may include, but is not limited to: gloves, gowns, laboratory coats, face shields or masks, and eye protection, and mouthpieces, resuscitation bags, pocket masks, or other ventilation devices. Personal protective equipment will be

**PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)**

considered "appropriate" only if it does not permit blood or other potentially infectious materials to pass through to or reach the employee's work clothes, street clothes, undergarments, skin, eyes, mouth, or other mucous membranes under normal conditions of use and for the duration of time which the protective equipment will be used.

2. **Use.** The employee's immediate supervisor shall ensure that the employee uses appropriate personal protective equipment at all times when required. Violations of this requirement must be reported, investigated and documented. Normally such a violation will result in disciplinary action as appropriate under SSU personnel policies and procedures.
3. **Accessibility.** Supervisors shall ensure that appropriate personal protective equipment in the appropriate sizes is readily accessible at the worksite or is issued to employees. Hypoallergenic gloves, or other similar alternatives shall be readily accessible to those employees who are allergic to the gloves normally provided.
4. **Cleaning, Laundering and Disposal.** All vice presidents/regional managers who provide personal protective equipment to their employees for protection against exposure to bloodborne pathogens shall also ensure arrangements are made for the laundering and disposal of that personal protective equipment at no cost to the employee.
5. **Repair and Replacement.** Each affected area supervisor/facility manager shall ensure personal protective equipment is repaired or replaced as necessary, i.e. whenever it becomes worn out, damaged and/or ineffective.
6. If a garment(s) is penetrated by blood or other potentially infectious materials, the garment(s) shall be removed immediately or as soon as feasible.
7. All personal protective equipment shall be removed prior to leaving the work area.
8. When personal protective equipment is removed, it shall be placed in an appropriately designated area or container for storage, washing, decontamination or disposal.
9. **Gloves.** Gloves shall be worn when it can be reasonably anticipated that the employee may have hand contact with blood, other potentially infectious materials, mucous membranes, and non-intact skin; and when handling or touching contaminated items or surfaces.

**PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)**

- a. Disposable (single use) gloves such as surgical or examination gloves, shall be replaced as soon as practical when contaminated or as soon as feasible if they are torn, punctured, or when their ability to function as a barrier is compromised.
 - b. Disposable (single use) gloves shall not be washed or decontaminated for re-use.
 - c. Utility gloves may be decontaminated for re-use if the integrity of the glove is not compromised. However, they must be discarded if they are cracked, peeling, torn punctured, or exhibit other signs of deterioration or when their ability to function as a barrier is compromised.
10. **Masks, Eye Protection, and Face Shields.** Masks in combination eye protection devices, such as goggles or glasses with solid side shields, or chin-length face shields, shall be worn whenever splashes, spray, spatter, or droplets of blood or other potentially infectious materials may be generated and eye, nose, or mouth contamination can be reasonably anticipated.
11. **Gowns, Aprons and Other Protective Body Clothing.** Appropriate protective clothing such as, but not limited to, gowns, aprons, lab coats, clinic jackets, or similar outer garments shall be worn in occupational exposure situations. The type and characteristics will depend upon the task and degree of exposure anticipated.

D. Housekeeping.

1. **General.** Supervisors shall ensure that their worksites are maintained in a clean and sanitary condition. If it becomes necessary, due to concerns regarding biohazard contamination, Vice Presidents/ Regional Managers shall ensure an appropriate written procedure is developed and maintained which specifies the frequency for cleaning and method of decontamination based upon the location within the facility, type of surface to be cleaned, type of soil present, and tasks or procedures being performed in the area.
2. All equipment and environmental and working surfaces shall be cleaned and decontaminated after contact with blood or other potentially infectious materials.
 - a. Contaminated work surfaces shall be decontaminated with an appropriate disinfectant (see note below or refer to Environmental Protection Agency, EPA, lists of registered sterilants - copies available from the Safety Administrator) after completion of procedures; immediately or as soon as feasible when surfaces are overtly

PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)

contaminated or after any spill of blood or other potentially infectious materials; and at the end of the work shift if the surface may have become contaminated since the last cleaning.

NOTE:

An appropriate disinfectant in most cases would be ". . . solutions of 5.25 percent sodium hypochlorite (bleach) diluted between 1:10 and 1:100 with water are also acceptable for disinfection of environmental surfaces and for decontamination of sites following initial cleanup (i.e., wiping up) of spills of blood or other potentially infectious materials." Reference - OSHA clarification letter dtd July 28, 1992.

- b. Protective coverings, such as plastic wrap, aluminum foil, or imperviously-backed absorbent paper used to cover equipment and environmental surfaces, shall be removed and replaced as soon as feasible when they become overtly contaminated or at the end of the workshift if they may have become contaminated during the shift.
 - c. All bins, pails, cans, and similar receptacles intended for reuse which have a reasonable likelihood for becoming contaminated with blood or other potentially infectious materials shall be inspected and decontaminated on a regularly scheduled basis and cleaned and decontaminated immediately or as soon as feasible upon visible contamination.
 - d. Broken glassware which may be contaminated shall not be picked up directly with the hands. It shall be cleaned up using mechanical means, such as brush and dust pan, tongs, or forceps.
 - e. Reusable sharps that are contaminated with blood or other potentially infectious materials shall not be stored or processed in a manner that requires employees to reach by hand into the containers where these sharps have been placed.
3. **Regulated Waste.**
- a. **Contaminated Sharps Discarding and Containment.**
 - (1) Contaminated sharps shall be discarded immediately or as soon as feasible in containers that are:
 - (a) Closeable;

PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)

- (b) Puncture resistant;
 - (c) Leakproof on sides and bottom; and
 - (d) Labeled or color coded in accordance with paragraph X.A., (pages 11+ of the SOP).
- (2) During use, containers for contaminated sharps shall be:
- (a) Easily accessible to personnel and located as close as is feasible to the immediate area where sharps are used or can be reasonably anticipated to be found;
 - (b) Maintained upright throughout use; and
 - (c) Replaced routinely and not be allowed to overfill.
- (3) When moving containers of contaminated sharps from the area of use, the container shall be:
- (a) Closed immediately prior to removal or replacement to prevent spillage or protrusion of contents during handling, storage, transport, or shipping;
 - (b) Placed in a secondary container if leakage is possible. The second container shall be:
 - i) Closable;
 - ii) Constructed to contain all contents and prevent leakage during handling, storage, transport, or shipping, and
 - iii) Labeled or color-coded according to paragraph X.A., (pages 11+ of the SOP).
- (4) Reusable containers shall not be opened, emptied, or cleaned manually or in any other manner which would expose employees to the risk of percutaneous injury.
- (5) It may be possible to dispose of small quantities of contaminated sharps by returning, to the provider, biohazardous containers received locally from city/county Public Health Units, Fire Rescue Services or received as a public service from a local hospital. If

**PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)**

this option is not available, proper disposal must occur as required for Regulated Waste. If you have a biohazardous waste disposal requirement and need assistance - contact the Safety Administrator.

- b. Other Regulated Waste.
- (1) Regulated waste shall be placed in containers which are:
- (a) Closeable;
 - (b) Constructed to contain all contents and prevent leakage of fluids during handling, storage, transport or shipping;
 - (c) Labeled or color-coded in accordance with paragraph X.A., (pages 11 + of the SOP); and
 - (d) Closed prior to removal to prevent spillage or protrusion of contents during handling, storage, transport, or shipping.
- (2) If outside contamination of the regulated waste containers occurs, it shall be placed in a second container. The second container shall be:
- (a) Closable;
 - (b) Constructed to contain all contents and prevent leakage of fluids during handling, storage, transport or shipping;
 - (c) Labeled or color-coded in accordance with paragraph X.A., (pages 11 + of the SOP); and
 - (d) Closed prior to removal to prevent spillage or protrusion of contents during handling, storage, transport, or shipping.
- c. Disposal of Regulated Waste. Disposal of all regulated waste shall be in accordance applicable state and federal regulations, i.e., by contractual arrangement with a company that is both:
- (1) Experienced in the field of biomedical waste disposal; and
 - (2) State of Florida licensed.

PROTECTIVE MEASURES AGAINST EXPOSURE TO BLOODBORNE PATHOGENS
(CONTINUED)

4. Laundry.

- a. Contaminated laundry shall be handled as little as possible with a minimum of agitation.
- (1) Contaminated laundry shall be bagged or containerized at the location where it was used and shall not be sorted or rinsed in the location of use.

NOTE:

The intent of this requirement is to reduce "employee exposure to bloodborne pathogens by reducing the amount of manual handling of contaminated Laundry. Restricting the sorting to the laundry area will also reduce contamination of additional surfaces." - OSHA Instruction CPL 2-2.44C.

- (2) Contaminated laundry shall be placed and transported in bags or containers labeled or color coded in accordance with paragraph X.A., (pages 11 + of the SOP). When a facility utilizes Universal Precautions in the handling of all soiled laundry, alternative labeling or color-coding is sufficient if it permits all employees to recognize the containers as requiring compliance with Universal Precautions.
- (3) Whenever contaminated laundry is wet and presents a reasonable likelihood of soak-through or leakage from the bag or container, the laundry shall be placed and transported in bags or containers which prevent soak through and/or leakage of fluids to the exterior.
- b. Immediate supervisors shall ensure that employees who have contact with contaminated laundry wear protective gloves and other appropriate personal protective equipment.
- c. When a facility ships contaminated laundry off-site to a second facility which does not use Universal Precautions in the handling of all laundry, the facility generating the contaminated laundry must place such laundry in bags or containers which are labeled or color-coded in accordance with paragraph X.A., (pages 11 + of the SOP).

SOUTHERN STATES UTILITIES

BLOODBORNE PATHOGEN EXPOSURE DETERMINATION			
List all job classifications in which at least <u>some</u> employees are at risk of exposure to Bloodborne Pathogens. A review and update of this form must be completed annually.			
Job Classification	Employee Occupational Exposure (✓ one)		Where there is risk to <u>some</u> employees: List tasks or procedures, which may cause occupational exposure.
	All	Some	
REVIEWER'S SIGNATURE:			DATE:
POSITION TITLE:			PHONE NUMBER:
VICE PRESIDENT/REGIONAL MANAGER REVIEW			
SIGNATURE:			DATE:

Distribution: VP/Regional Manager File
 Safety Department

SOUTHERN STATES UTILITIES	
HEPATITIS B VACCINE DECLINATION FORM	
Employee's Name: _____	Social Security Number: _____
Department: _____	Division: _____
<p>I understand that due to my exposure to blood or other potentially infectious materials I may be at risk of acquiring hepatitis B virus (HBV) infection. I have been given an opportunity to be vaccinated with hepatitis B vaccine, at no charge to myself. However, I decline hepatitis B vaccination at this time. I understand that by declining this vaccine, I continue to be at risk of acquiring hepatitis B, a serious disease. If in the future I continue to have occupational exposure to blood or other potentially infectious materials and I want to be vaccinated with hepatitis B vaccine, I can receive the vaccination series at no charge to me.</p>	
Employee's signature: _____	Date: _____
Witnessed By: _____	Date: _____

Distribution: Department File
(One) Safety File

SOUTHERN STATES UTILITIES - EXPOSURE INCIDENT FORM

Page 1 of 2

Employee: _____ SSN _____
 Dept/Div: _____ DOB _____

Exposure: Date _____ Time _____ Body Parts exposed _____

Source of Exposure: Name _____
 DOB _____ SSN _____ Sex _____ Race _____
 Full Address: _____
 Phone Number (____) _____
 Transported to: _____ By Whom: _____

IMPORTANT: Check all that apply

TYPE OF EXPOSURE	AMOUNT OF EXPOSURE
------------------	--------------------

1. No contact with blood or body fluid	1. Less than one drop
2. Needle stick from: a. In trash	2. One drop to one teaspoon
b. Other	3. Over one teaspoon
3. Bite by _____	4. Unknown

TYPE OF EXPOSURE	INFECTIOUS RISK
------------------	-----------------

4. Puncture by _____	1. HIV	
5. Laceration (cut) by _____	2. Hepatitis a. Type A	
6. Abrasion, rub or grinding _____	b. Type B	
7. Splash to: a. Skin - no break in skin	c. Type C	
	b. skin - broken. Explain: _____	d. Type Unknown
	c. Mouth	3. Syphilis
	d. Eye	4. Gonorrhea
	e. Ear	5. Tuberculosis
	f. Nose	6. Meningitis
	g. Other _____	7. Other _____
		8. Unknown

TYPE OF FLUID	PRE-EXPOSURE PROTECTION
---------------	-------------------------

8. Inhalation	1. Gloves
1. Blood	2. Mask
2. Saliva	3. Eye protection
3. Vomitus	4. Resuscitation mask
4. Mucus	5. Wipes
5. Semen	6. Sleeves
6. Urine	7. None of the above
7. Feces	

TYPE OF FLUID	POST-EXPOSURE PRECAUTION
---------------	--------------------------

8. Sweat	1. Washed area after contact a. With disinfectant
9. Tears	b. With soap
10. Exhaled Air	c. With other
11. Other _____	2. Other _____



Engineering Department Intra-company Correspondence

DATE: July 27, 1995
TO: Jim Barrett
FROM: Chuck Wood *Chuck*
RE: Bloodborne Pathogen Exposure Determination

Please find attached a copy of the bloodborne pathogen exposure determination worksheet sent to me in June. I have indicated on the sheet those positions which have significant occupational exposure to bloodborne pathogens and the positions indicated should be provided the Hepatitis B inoculation series. Should you have any further questions, please advise.

CEW:vs

c: Woody Hendricks
Steve Hill
John Losch
Bruce Paster
Chris Romeo
Dennis Westrick

Form No. S-17
Rev. 0/06-20-94

SOUTHERN STATES UTILITIES

BLOODBORNE PATHOGEN EXPOSURE DETERMINATION

List all job classifications in which at least some employees are at risk of exposure to Bloodborne Pathogens. A review and update of this form must be completed annually.

Job Classification	Employee Occupational Exposure (✓ one)		Where there is risk to <u>some</u> employees: List tasks or procedures, which may cause occupational exposure.
	All	Some	
Senior Engineer		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Senior Project Engineer		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Lead Design Drafter		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Assistant Engineer II		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Project Engineer I		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Manager, Project Construction	✦	✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Construction Inspector	✦	✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Construction Administration		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Chief Drafter		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Drafter I		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
Drafter II		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.

REVIEWER'S SIGNATURE: Diana Britney DATE: 6/13/95
 POSITION TITLE: DESIGN/CAD TECH II PHONE NUMBER: 880-0058 K426

VICE PRESIDENT/REGIONAL MANAGER REVIEW

SIGNATURE: [Signature] DATE: 7/26/95

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*"Occupationally Exposed"
 Denoted with ✦



Safety Department
Intra-Company Correspondence

DATE: June 16, 1995
TO: Rafael Terraro
FROM: Jim Barratt *JSB*
RE: Bloodborne Pathogen Exposure Determination

Attached is a listing of positions in the Environmental Department where some employees may be considered as "Occupationally Exposed" under our current Bloodborne Pathogen Safe Operating Procedure (SOP #1). The listing was initiated by Mary Glennon and placed in the current format by myself.

Please review the listing and, if you agree that it is current, correct and complete; then sign it in the appropriate space provided at the bottom of the form.

and Brian
After you have signed the form and returned it, the employees you consider "Occupationally Exposed" will be eligible for the Hepatitis B Vaccination Series at no personal cost to themselves. Florida Hospital is providing the three shot series locally at a cost of \$50.00 each shot (a very reasonable rate) or \$150.00 per employee. Of course, I feel that all employees "Occupationally Exposed" should have the benefit of inoculation. However, if you feel that your budget cannot handle this cost during the current fiscal year, you may want to delay taking action on this until early 1996.

Please let me know if you need further clarification or if I can be of further assistance.

Thank you.

JB
F:\USERS\JBARRATT\MEMOS\ENV.1

Attachment

c: Ray Gagnon
Mary Glennon

Form No. S-17
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SOUTHERN STATES UTILITIES

BLOODBORNE PATHOGEN EXPOSURE DETERMINATION			
List all job classifications in which at least <u>some</u> employees are at risk of exposure to Bloodborne Pathogens. A review and update of this form must be completed annually.			
Job Classification	Employee Occupational Exposure (✓ one)		Where there is risk to <u>some</u> employees: List tasks or procedures, which may cause occupational exposure.
	All	Some	
Manager Environmental Services	✓		
Senior Permitting Engineer	✓		
Environmental Compliance Administrator	✓		
Environmental/Safety Specialist	✓		
Environmental/Permitting Specialist		✓	Site visits involving close visual inspections of operational wastewater treatment plants and lift stations.
REVIEWER'S SIGNATURE: <i>[Signature]</i>		DATE: <i>6/19/95</i>	
POSITION TITLE: <i>ENVIRONMENTAL MANAGER</i>		PHONE NUMBER: <i>(407) 880-0018 x199</i>	
VICE PRESIDENT/REGIONAL MANAGER REVIEW			
SIGNATURE: <i>[Signature]</i>		DATE: <i>7/27/95</i>	

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FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT

TO: Judy Kimball
UTILITY: Southern States Utilities, Inc.
FROM: Charleston Winston
(AUDIT MANAGER)
REQUEST NUMBER: 90
AUDIT PURPOSE: Rate Case, Dkt# 950495

Jeff Small
(AUDITOR PREPARING REQUEST)
DATE OF REQUEST: Sep. 26, 1995

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: October 2, 1995

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

Follow up to FPSC Document Request 62A. Item #3.

Please provide a detailed schedule that illustrates all 1995 budgeted cost for the Hepatitis Immunization Program.

Indicate all NARUC accounts and associated responsibility centers where the cost will be distributed.

Additionally identify how much of the cost is associated with;

- 1) The initial immunization program.
- 2) Employee awareness and training.
- 3) Testing and follow up care for incident events.
- 4) Anticipated subsequent immunizations. (new employees)

Identify any other associated cost not included in above items.

TO: AUDIT MANAGER Charleston Winston

DATE: 10/3/95

THE REQUESTED RECORD OR DOCUMENTATION:

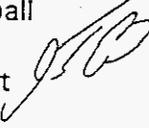
- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION, ITEM(S) _____ IS(ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING. REFER TO RULE 25-22.006, F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Judith J. Kimball
(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor)
Copy: Audit File and FPSC Analyst



Safety Department
Intra-Company Correspondence

DATE: October 2, 1995
TO: Judy Kimball
FROM: Jim Barratt 
RE: FPSC Audit Document/Record Request - of September 26, 1995

Answers are hereby provided to the follow up to FPSC Document Request 62A. Item #3 regarding the Hepatitis Immunization Program:

Please provide a detailed schedule that illustrates all 1995 budgeted cost for the Hepatitis Immunization Program.

Number of first inoculations provided to date in 1995:	137
Number of second inoculations provided to date in 1995:	157
Number of third inoculations provided to date in 1995:	107

Indicate all NARUC accounts and associated responsibility centers where the cost will be distributed.

In 1995, \$16,000.00 were budgeted for the Hepatitis Immunization Program. All HBV inoculations are being charged to the Safety Department Responsibility Center, account number: 001.90001.592.99.6758.0000.250

Additionally identify how much of the cost is associated with:

- 1) The initial immunization program. Virtually 100%.
- 2) Employee awareness and training. There was a nominal cost for copying training handouts. These were used for a class conducted for employees on the subject of Bloodborne Pathogens. The curriculum was developed in house, based on the SSU Safe Operating Procedure. Additionally, a video on the subject was shown. The video was purchased in 1994 for \$495.00.
- 3) Testing and follow up care is associated with: The only testing or follow up that might occur would be associated with a report by an employee of an

To: Judy Kimball
Subj: FPSC Audit Documentation/Record Request - of September 26, 1995
Page: 2

exposure incident or an employee report of an injury where exposure has or may have occurred. No reports of incidents have been received to date in 1995. Such an incident would generally be handled by insurance under the Florida Workers' Compensation laws.

4) Anticipated subsequent immunizations. (new employees)

CURRENT EMPLOYEES:

Number of first inoculations anticipated in the remainder of 1995: 32

Number of second inoculations anticipated in the remainder of 1995: 38

Number of third inoculations anticipated in the remainder of 1995: 65

NEW EMPLOYEES:

Number of first inoculations anticipated in the remainder of 1995: 20

Number of second inoculations anticipated in the remainder of 1995: 20

Number of third inoculations anticipated in the remainder of 1995: None.
(The third inoculation occurs approximately five months following the second inoculation.)

Identify any other associated cost not included in above items. No other costs are anticipated.

PLEASE NOTE: It would appear that someone on the Commission questions the necessity of our Bloodborne Pathogen Program. It should be noted - the State of Florida does not. I have enclosed an advertisement from the University of Florida - Center for Training, Research & Education for Environmental Occupations (TREEO) regarding a course they currently offer titled: *Train-the-Trainer for Exposure to Waterborne & Bloodborne Pathogens*. I hope this information will be useful to you.

JTB
F:\USERS\JBARRATT\MEMOS\FINANCE.2

Attachment

c: Ray Gagnon

UNIVERSITY OF
FLORIDA
TREEO CENTER
3900 SW 63rd Boulevard
Gainesville, FL 32608-3848



Non-Profit Organization
U.S. POSTAGE PAID
Permit No. 94
Gainesville, FL 32611



presents

Train-the-Trainer for Exposure to Waterborne & Bloodborne Pathogens

October 10-11, 1994
April 10-11, 1995

UF/TREEO Center
Gainesville, Florida
Fee: \$345

10/10/94
JIM C. ...
SOUTHERN STATES UTILITIES
1601 COLOR PLACE
APPEX, FL 32703

About the Course

If you work with wastewater, you may come into contact with potentially lethal waterborne or bloodborne pathogens. This course teaches you the proper procedures for reducing the potential for exposure to these pathogens in accordance with the Occupational Safety and Health Administration's Bloodborne Pathogens Standard. In addition, it provides you with the tools to train others on the proper procedures for reducing exposure.

The first day covers the OSHA Standard and the Florida Department of Labor's requirements for preventing exposure to HIV, Hepatitis B and other bloodborne and waterborne pathogens. You learn about protective equipment and how to formulate an exposure control plan.

On day two, you utilize the knowledge you gained the first day. Through simulated problem-solving exercises and work stations, you learn how to properly and effectively train others on how to reduce the potential for exposure to waterborne and bloodborne pathogens.

Who Should Attend

- ▶ Wastewater treatment facility employees
- ▶ Sewage collection system workers
- ▶ Lift station employees
- ▶ Anyone who may be exposed to bloodborne or waterborne pathogens
- ▶ Utility safety directors

Course Outline

Day One
Registration/check-in begins at 7:30 a.m.
Pre-Exam and Review
The OSHA Standard-Florida Dept. of Labor
OSHA Acknowledges Exposure to
Bloodborne Pathogens Risk in Sewage
Aids: Fact and Fiction
Prevention/Latex vs. Nitrile
Survival of HIV
Environment, Wastewater and Blood
Containing Aerosols
Hepatitis B/C and Vaccination
Other Bloodborne Pathogens
State of Florida Department of Labor
Sharps, Lock-out Tag-out, Labeling,
Employee Training and Records
Waterborne Pathogens in Sewage
and Wastewater
The Exposure Control Plan
Personal Protective Equipment
Required Labeling
Course adjourns at 5:00 p.m.

Day Two
Course begins at 8:00 a.m.
Role of the Trainer
HIV and Hepatitis B: Survivability in
the Environment
Conducting the Training
Simulated Exercises/Work Situations and
Problem Solving
Exam
Course adjourns at 12:00 p.m.

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APPENDIX 336-A

Account: 001.90001.592.99.6758.0000.250
 Sequence: 1

Description: MISC.
 Rec/Non/New: REC

Area:

Documentation

Calibration & Maintenance of Safety Monitoring Equipment. Gas monitors require periodic calibration and the replacement of sensors inside the unit. The sensors are consumed as a normal part of equipment operation. Sensors have a service life that typically varies between one and two years depending of the level of usage and the types of gasses being monitored. Calibration is usually based on the manufacturer's recommendation but should not exceed one year intervals.

Gas meter calibration/sensor replacements - \$700.00

Miscellaneous safety supplies for distribution/consumption on an as needed basis including: items of hearing and eye protection, first aid kit replenishment supplies, respirator fit test/training supplies, etc. - \$500.00.

Total 1200	January 100	February 100	March 100	April 100	May 100	June 100
	July 100	August 100	September 100	October 100	November 100	December 100

Account: 001.90001.592.99.6758.0000.250
 Sequence: 2

Description: MISC.
 Rec/Non/New: REC

Area:

Documentation

HEPATITIS B SHOTS

Approximately 100 additional Operations employees will need the Hepatitis B vaccination series to comply with the OSHA Bloodborne Pathogen Standard. The three shot series costs approximately \$160.00/employee.
 (\$160/employee x 100 emp. = \$16,000)

MEDICAL CLEARANCE FOR RESPIRATOR USERS

A Medical Clearance examination (including a pulmonary function test) is required for operations employees assigned to wear a respirator while performing their duties.

AUDIT DISCLOSURE NO. 11

SUBJECT: HEPATITIS IMMUNIZATION PROGRAM
Interim 1996 and Projected 1996 O&M Expense

FACTS: Southern States' filing for Interim 1995 and Projected 1996 includes \$16,000 and \$16,312 for a newly implemented Hepatitis immunization program they started in 1995 for selected "at risk" employees.

The above amounts were budgeted to the Safety Department Responsibility Center (#592) for NARUC Acc# 6758, Miscellaneous Expenses - A&G.

The Company maintains that approximately 200 employees will receive a series of three inoculations for Hepatitis B as part of the Company's Bloodborn Pathogens' program.

The budgeted cost of the program divided by the number of employees immunized results in an average cost of \$80.00 per employee for the Hepatitis Immunization program in Interim 1995.

The Company's employee turnover rate for 1995 is estimated to be approximately 11% on an annualized basis per D.G. Lock's testimony for this filing.

Documentation provided to the general public by the State Health Office-Immunization Program, Department of Health and Rehabilitative Services for Florida states, "The vaccine is given in a 3-dose series over a period of six months. About 95% of healthy persons are immune after receiving the vaccine, and protection appears to last at least five years."

Rule 25-30.433 (8), F.A.C., states that, "Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified."

Audit Disclosure No. 11, continued

PAGE 2 OF 3

OPINION/RECOMMENDATION: Audit staff believes that the amount budgeted for the Company's Hepatitis Immunization program represents non-recurring O&M expense projection and that it should be subject to the Commission rule cited above.

The Commission should require the Company to reduce Acc# 6758 - Miscellaneous Expenses for Interim 1995 and Projected 1996 by \$12,800 and \$14,508, respectively, as illustrated in the attached schedules.

COMPANY COMMENTS: The Company may respond at a later date.

Schedule for Audit Disclosure No. 11

1995 Interim

Interim 1995 expense amount	\$16,000
Divided by estimated life of vaccine	<u>5 years</u>
Equals yearly amortization amount	\$ 3,200
<hr/>	
Interim 1995 per Company	\$16,000
less Interim 1995 per Audit	<u>3,200</u>
Equals Audit adjustment	\$12,800

Projected 1996

Projected 1996 per Company	\$16,312 a
less Projected 1996 per Audit	<u>1,804 b</u>
Equals audit adjustment	\$14,508
a) Per company 1995	\$16,000
times 1.95% attrition	<u>312</u>
equals 1996 projected	\$16,312
b) Initial number of employees	200
to be vaccinated in 1995	
times employee turnover rate	<u>11%</u>
equals the number new employees	
to be vaccinated in 1996	22
times the \$80 cost per employee	
for each vaccination increased by	
the 1.95% attrition factor	\$ <u>82</u>
equals Projected 1996 per	\$ 1,804
audit	
(numbers were rounded to the nearest dollar)	

DOCKET 950495-WS
EXHIBIT NO. 194
CASE NO. 96-04227

Exhibit ALM-1, Page 1 of 1

INDEX OF SCHEDULES

EXHIBIT ALM-1	INDEX
EXHIBIT ALM-2	DERIVATION OF LEVERAGE FORMULA
EXHIBIT ALM-3	BASIC DCF MODEL
EXHIBIT ALM-4	TWO-STAGE DCF MODEL
EXHIBIT ALM-5	RISK PREMIUM MODEL AND INPUTS
EXHIBIT ALM-6	CAPM RESULTS
EXHIBIT ALM-7	BOND YIELD DIFFERENTIALS
EXHIBIT ALM-8	<u>VALUE LINE WATER INDEX</u>
EXHIBIT ALM-9	<u>MOODY'S NATURAL GAS INDEX</u>

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495-WS EXHIBIT NO. 194
COMPANY/ WITNESS: FPSC / MAUREY
DATE: 4/29/96

DOCUMENT NUMBER-DATE

02361 FEB 26 88

FPSC-RECORDS/REPORTING

DERIVATION OF LEVERAGE FORMULA**SUMMARY OF RESULTS**

	<u>1995</u>
DCF ROE for Water Index (Historical)	10.92%
Risk Premium ROE for Gas Index	10.50%
Gas Index premium	.18%
DCF ROE for Water Index (Projected)	10.37%
CAPM ROE for Water Index	<u>11.00%</u>
AVERAGE	10.78%
Bond Yield Differential	.51%
Private Placement Premium	.25%
Adjustment to Reflect Required Equity Return at a 40% Equity Ratio	<u>.34%</u>
Cost of Equity for Average Florida Water and Wastewater Utility at a 40% Equity Ratio	<u>11.88%</u>

1995 Leverage Formula

Return on Common Equity	=	9.05% + 1.131/ER
Range of Returns on Equity	=	10.18% - 11.88%

Where: Equity Ratio (ER) = Common Equity / (Common Equity + Preferred Stock
+ Long-term Debt + Short-term Debt)

Leverage Formula = $9.05\% + 1.131 / ER^*$

Marginal Cost of Investor Capital
Average Water and Wastewater Utility

Capital Component	<u>Ratio</u>	<u>Marginal Cost Rate</u>	<u>Weighted Marginal Cost Rate</u>
Common Equity	45.43%	11.54%	5.24%
Total Debt	<u>54.57%</u>	9.05% **	<u>4.93%</u>
	<u>100.00%</u>		<u>10.18%</u>

A 40% equity ratio is the floor for calculating the required return on common equity.
The return on equity at a 40% equity ratio = $9.05\% + 1.131 / .40 = 11.88\%$

Marginal Cost of Investor Capital
Average Water & Wastewater Utility at 40% Equity Ratio

<u>Capital Component</u>	<u>Ratio</u>	<u>Marginal Cost Rate</u>	<u>Weighted Marginal Cost Rate</u>
Common Equity	40.0%	11.88%	4.75%
Total Debt	<u>60.0%</u>	9.05% **	<u>5.43%</u>
	<u>100.0%</u>		<u>10.18%</u>

* Where: $Equity\ Ratio = \frac{Common\ Equity}{Common\ Equity + Preferred\ Equity + Long-Term\ Debt + Short-Term\ Debt}$

** Assumed Baa3 rate for April 1995 plus 25 basis point private placement premium
Source: Moody's Bond Survey, 5/22/95

DCF Analysis of Water Index

	Arithmetic Average Growth Rate	Current Dividend	Current Average Stock Price	Required Return On Equity %
American Water Works	8.58%	1.28	28.94	13.38
Aquarion Company	1.95%	1.62	22.75	9.21
California Water Services Co.	4.44%	2.04	31.00	11.32
Consumers Water Company	4.21%	1.18	15.25	12.28
Philadelphia Suburban Corp.	2.42%	1.12	18.06	8.77
Uniter Water Resources	3.55%	0.92	13.63	10.54
AVERAGE	4.19%	\$1.36	\$21.60	10.92%

Basic DCF Analysis

$$K = D_1/P_0 + g$$

K = Investors' required rate of return

D_1 = Dividend expected next period = Arithmetic growth rate \times current dividend

P_0 = Current stock price = April average stock price

g = Projected long-term growth in dividends = Arithmetic growth rate

K = 10.92%

Source: Standard & Poor's Stock Guide, May 1995 Edition

COST OF EQUITY FOR WATER INDEX COMPANIES
DISCOUNTED CASH FLOW MODEL

COMPANY	DIV1	DIV2	DIV3	DIV4	EPS4	ROE4	Yr 1-4	4+	Growth HI-Price	Growth LO-Price	April
											Average Price
AMERICAN WATER WORKS	1.28	1.38	1.49	1.60	2.90	11.00	1.0772	1.0493	29.375	28.500	28.938
AQUARIAN CO.	1.62	1.74	1.86	2.00	2.60	13.50	1.0728	1.0312	23.750	21.750	22.750
CALIFORNIA WATER SVC	2.04	2.10	2.16	2.22	3.00	12.00	1.0286	1.0312	32.250	29.750	31.000
CONSUMERS WATER	1.19	1.21	1.23	1.25	1.45	11.00	1.0165	1.0152	15.750	14.750	15.250
PHILADELPHIA SUBURBAN	1.15	1.18	1.22	1.25	1.60	13.00	1.0282	1.0284	18.375	17.750	18.063
UNITED WATER RESOURCES	0.92	0.96	1.00	1.05	1.55	12.50	1.0450	1.0403	14.125	13.125	13.625
AVERAGE	1.37	1.43	1.49	1.56	2.18	12.17	1.0447	1.0326			21.604

10.37% = Cost of equity required to match the current stock price with the expected cash flows

20.96 = April 1995 average stock price less 3% flotation costs, or $P_0(1-fc)$

		QTR1	QTR2	QTR3	QTR4
20.96	=	DIV1 0.34	0.33	0.32	0.31
		DIV2 0.32	0.31	0.31	0.30
		DIV3 0.30	0.30	0.29	0.28
		DIV4 0.29	0.28	0.27	0.27
		P4= 16.13			
		D1+D2+D3+D4+P4=		20.96	

Data Sources:

1. Stock Prices - S&P Stock Guide, May 1995 Edition
2. DPS, EPS, ROE - Value Line Edition 9, February 10, 1995

Risk Premium Cost of Equity for
Moody's Natural Gas Distribution Index

Estimated Monthly Risk Premium	3.076%
Blue Chip Forecast for 30-Year Treasury Bond	<u>7.42 %</u>
	<u>10.496%</u>

Blue Chip Financial Forecasts, May 1, 1995

ESTIMATED MONTHLY RISK PREMIUMS
 MOODY'S NATURAL GAS DISTRIBUTION INDEX
 JUNE 1985 - MAY 1995

YEAR	MONTH	Quarterly Cost of Equity Gas	Risk Free Rate	Risk Premium Quarterly
1985	JUN	14.588	11.08	3.508
	JUL	14.886	10.48	4.406
	AUG	15.017	10.62	4.397
	SEP	15.604	10.70	4.904
	OCT	15.030	10.78	4.250
	NOV	15.122	10.66	4.462
	DEC	14.672	10.19	4.482
1986	JAN	13.857	9.68	4.177
	FEB	13.780	9.59	4.190
	MAR	13.644	9.26	4.384
	APR	12.944	8.15	4.794
	MAY	12.684	7.58	5.104
	JUN	12.726	8.13	4.596
	JUL	11.818	8.27	3.548
	AUG	11.683	7.88	3.803
	SEP	11.653	7.74	3.913
	OCT	11.408	8.10	3.308
	NOV	11.617	8.06	3.557
	DEC	11.336	7.82	3.516
1987	JAN	11.847	7.66	4.187
	FEB	11.642	7.62	4.022
	MAR	11.563	7.71	3.853
	APR	11.293	7.64	3.653
	MAY	11.759	8.35	3.409
	JUN	11.903	8.85	3.053
	JUL	11.738	8.67	3.068
	AUG	11.856	8.77	3.086
	SEP	11.858	9.06	2.798
	OCT	12.148	9.67	2.478
	NOV	12.926	9.73	3.196
	DEC	13.078	9.10	3.978
1988	JAN	13.226	9.23	3.996
	FEB	12.850	8.93	3.920
	MAR	12.416	8.48	3.936
	APR	12.396	8.64	3.756
	MAY	12.398	8.97	3.428
	JUN	12.378	9.30	3.078
	JUL	12.049	9.11	2.939
	AUG	12.027	9.28	2.747
	SEP	12.314	9.42	2.894
	OCT	12.070	9.14	2.930
	NOV	12.036	8.96	3.076
	DEC	12.088	9.09	2.998
1989	JAN	12.028	9.10	2.928
	FEB	12.050	9.05	3.000
	MAR	12.060	9.15	2.910
	APR	12.580	9.31	3.270
	MAY	12.480	9.17	3.310
	JUN	12.312	8.93	3.382
	JUL	12.071	8.37	3.701
	AUG	11.882	8.13	3.752

YEAR	MONTH	Quarterly Cost of Equity Gas	Risk Free Rate	Risk Premium Quarterly
1990	SEP	11.788	8.23	3.558
	OCT	11.450	8.29	3.160
	NOV	11.462	8.12	3.342
	DEC	11.320	8.00	3.320
	JAN	10.978	8.00	2.978
	FEB	11.130	8.37	2.760
	MAR	11.252	8.63	2.622
	APR	11.416	8.73	2.686
	MAY	11.620	8.92	2.700
	JUN	11.710	8.87	2.840
	JUL	11.468	8.60	2.868
	AUG	11.550	8.62	2.930
1991	SEP	11.830	8.93	2.900
	OCT	11.160	9.08	2.080
	NOV	11.340	8.89	2.450
	DEC	11.070	8.58	2.490
	JAN	11.031	8.27	2.761
	FEB	11.186	8.31	2.876
	MAR	11.171	8.09	3.081
	APR	10.864	8.36	2.504
	MAY	10.810	8.26	2.550
	JUN	10.820	8.31	2.510
	JUL	10.797	8.52	2.277
	AUG	10.783	8.47	2.313
1992	SEP	10.680	8.15	2.530
	OCT	10.988	7.95	3.038
	NOV	10.742	7.86	2.882
	DEC	10.719	7.80	2.919
	JAN	10.580	7.55	3.030
	FEB	10.640	7.46	3.180
	MAR	10.698	7.76	2.938
	APR	10.684	7.90	2.784
	MAY	10.810	7.85	2.960
	JUN	10.740	7.77	2.970
	JUL	10.525	7.70	2.825
	AUG	10.351	7.37	2.981
1993	SEP	10.170	7.15	3.020
	OCT	9.812	7.05	2.762
	NOV	10.032	7.24	2.792
	DEC	10.113	7.40	2.713
	JAN	9.653	7.29	2.363
	FEB	9.518	7.16	2.358
	MAR	9.306	6.87	2.436
	APR	9.086	6.63	2.456
	MAY	9.222	6.63	2.592
	JUN	9.338	6.67	2.668
	JUL	9.547	6.54	3.007
	AUG	8.769	6.33	2.439
SEP	8.774	6.16	2.614	
OCT	8.813	5.93	2.883	
NOV	8.843	5.89	2.953	
DEC	9.136	6.23	2.906	

YEAR	MONTH	Quarterly Cost of Equity Gas	Risk Free Rate	Risk Premium Quarterly
1994	JAN	9.133	6.26	2.873
	FEB	8.805	6.23	2.575
	MAR	8.885	6.44	2.445
	APR	9.126	6.89	2.236
	MAY	9.431	7.30	2.131
	JUN	9.550	7.47	2.080
	JUL	9.737	7.42	2.317
	AUG	9.723	7.60	2.123
	SEP	9.802	7.54	2.262
	OCT	9.921	7.77	2.151
	NOV	9.813	8.01	1.803
	DEC	10.198	8.15	2.048
1995	JAN	10.342	7.95	2.392
	FEB	10.071	7.92	2.151
	MAR	9.891	7.67	2.221
	APR	9.865	7.50	2.365
	MAY	9.747	7.38	2.367
AVERAGE				3.076

SOURCE: Value Line Investment Survey
S&P Stock Guide
Moody's Bond Survey

Capital Asset Pricing Model Cost of Equity for
Water and Wastewater Industry

CAPM analysis formula

- K = $RF + \text{Beta}(\text{MR} - \text{RF})$
- K = Investor's required rate of return
- RF = Risk-free rate (Blue Chip forecast for 30-year Treasury bond)
- Beta = Measure of industry-specific risk (Average for water utilities followed by Value Line)
- MR = Market return

$$\underline{11.00\%} = 7.42\% + .6417(13.0\% - 7.42\%)$$

Blue Chip Financial Forecasts, May 1, 1995
Value Line Investment Survey, May 12, 1995
ValueScreen, June 1, 1995

BOND YIELD DIFFERENTIALS
Public Utility Bond Yield Averages
Source: Moody's Bond Survey

120 Month Average - 0.1243		0.1243		0.0748		0.0748		0.0748		0.1082		0.1082		0.1082		0.1082				
YEAR	MON	Ass SPREAD	As1 SPREAD	As2 SPREAD	As3 SPREAD	A1 SPREAD	A2 SPREAD	A3 SPREAD	Ass1 SPREAD	Ass2 SPREAD	Ass3 SPREAD	Ass1 SPREAD	Ass2 SPREAD	Ass3 SPREAD	Ass1 SPREAD	Ass2 SPREAD	Ass3 SPREAD			
1985	APR	0.06	0.06	0.13	0.06	0.17	0.03	0.20	0.03	0.24	0.03	0.27	0.13	0.40	0.13	0.94	0.13	0.97	0.13	0.90
	MAR	0.10	0.06	0.24	0.06	0.29	0.03	0.32	0.03	0.34	0.03	0.37	0.13	0.50	0.13	0.63	0.13	0.78	0.13	0.86
	FEB	0.23	0.06	0.38	0.06	0.45	0.02	0.47	0.02	0.50	0.02	0.52	0.14	0.66	0.14	0.78	0.14	0.93	0.14	0.97
	JAN	0.53	0.07	0.80	0.07	0.88	0.02	0.96	0.02	0.71	0.02	0.73	0.14	0.87	0.14	0.91	0.14	0.18	0.14	0.26
	DEC	0.55	0.07	0.82	0.07	0.89	0.02	0.71	0.02	0.74	0.02	0.76	0.13	0.88	0.13	0.93	0.13	0.18	0.13	0.29
	NOV	0.77	0.06	0.94	0.06	0.90	0.03	0.83	0.03	0.85	0.03	0.88	0.12	0.10	0.12	0.23	0.12	0.35	0.12	0.47
	OCT	0.65	0.07	0.72	0.07	0.78	0.03	0.81	0.03	0.83	0.03	0.86	0.13	0.88	0.13	0.11	0.13	0.24	0.13	0.37
	SEP	0.41	0.08	0.48	0.08	0.56	0.03	0.59	0.03	0.61	0.03	0.64	0.11	0.75	0.11	0.87	0.11	0.89	0.11	0.98
	AUG	0.15	0.06	0.24	0.06	0.32	0.03	0.35	0.03	0.36	0.03	0.41	0.11	0.52	0.11	0.63	0.11	0.74	0.11	0.85
	JUL	0.21	0.06	0.30	0.06	0.36	0.03	0.41	0.03	0.44	0.03	0.47	0.11	0.58	0.11	0.69	0.11	0.80	0.11	0.91
	JUN	0.07	0.07	0.14	0.07	0.21	0.03	0.24	0.03	0.26	0.03	0.31	0.11	0.42	0.11	0.53	0.11	0.64	0.11	0.75
	MAY	0.11	0.07	0.18	0.07	0.24	0.03	0.27	0.03	0.30	0.03	0.33	0.08	0.42	0.08	0.52	0.08	0.61	0.08	0.70
1984	APR	0.00	0.08	0.08	0.08	0.12	0.03	0.15	0.03	0.18	0.03	0.22	0.08	0.30	0.08	0.38	0.08	0.47	0.08	0.56
	MAR	7.80	0.07	7.87	0.07	7.74	0.04	7.78	0.04	7.81	0.04	7.85	0.06	7.84	0.06	8.02	0.06	8.11	0.06	8.20
	FEB	7.18	0.08	7.27	0.08	7.34	0.04	7.36	0.04	7.43	0.04	7.47	0.10	7.57	0.10	7.68	0.10	7.78	0.10	7.86
	JAN	7.05	0.06	7.12	0.06	7.18	0.05	7.23	0.05	7.28	0.05	7.33	0.11	7.44	0.11	7.55	0.11	7.66	0.11	7.77
	DEC	7.06	0.06	7.12	0.06	7.18	0.05	7.23	0.05	7.29	0.05	7.34	0.13	7.47	0.13	7.60	0.13	7.73	0.13	7.86
	NOV	7.08	0.06	7.12	0.06	7.17	0.04	7.21	0.04	7.26	0.04	7.30	0.13	7.43	0.13	7.56	0.13	7.69	0.13	7.82
	OCT	8.75	0.07	8.82	0.07	8.88	0.05	8.94	0.05	8.98	0.05	7.03	0.06	7.11	0.06	7.19	0.06	7.27	0.06	7.35
	SEP	8.78	0.06	8.83	0.06	8.88	0.05	8.94	0.05	8.98	0.05	7.04	0.10	7.14	0.10	7.25	0.10	7.35	0.10	7.45
	AUG	8.94	0.07	7.01	0.07	7.07	0.06	7.13	0.06	7.18	0.06	7.25	0.11	7.36	0.11	7.48	0.11	7.59	0.11	7.70
	JUL	7.25	0.07	7.32	0.07	7.36	0.05	7.43	0.05	7.48	0.06	7.54	0.13	7.67	0.13	7.80	0.13	7.93	0.13	8.06
	JUN	7.37	0.08	7.45	0.08	7.54	0.07	7.61	0.07	7.68	0.07	7.75	0.10	7.85	0.10	7.95	0.10	8.05	0.10	8.15
	MAY	7.44	0.10	7.54	0.10	7.64	0.07	7.71	0.07	7.79	0.07	7.88	0.11	7.97	0.11	8.07	0.11	8.18	0.11	8.29
1983	APR	7.80	0.07	7.87	0.07	7.64	0.06	7.70	0.06	7.75	0.08	7.81	0.10	7.81	0.10	8.01	0.10	8.11	0.10	8.21
	MAR	7.84	0.06	7.70	0.06	7.78	0.05	7.81	0.05	7.85	0.08	7.90	0.07	7.87	0.07	8.03	0.07	8.10	0.07	8.17
	FEB	7.75	0.06	7.84	0.06	7.82	0.04	7.88	0.04	8.00	0.04	8.04	0.08	8.13	0.08	8.22	0.08	8.31	0.08	8.40
	JAN	7.84	0.10	8.04	0.10	8.14	0.04	8.18	0.04	8.23	0.04	8.27	0.10	8.37	0.10	8.47	0.10	8.57	0.10	8.67
	DEC	8.01	0.15	8.17	0.15	8.32	0.04	8.38	0.04	8.39	0.04	8.43	0.06	8.52	0.06	8.60	0.06	8.68	0.06	8.78
	NOV	8.11	0.20	0.31	0.20	0.31	0.04	0.33	0.04	0.36	0.04	0.39	0.06	0.43	0.06	0.48	0.06	0.53	0.06	0.58
	OCT	8.06	0.18	0.24	0.18	0.42	0.04	0.48	0.04	0.50	0.04	0.54	0.07	0.61	0.07	0.68	0.07	0.75	0.07	0.83
	SEP	8.04	0.12	0.18	0.12	0.29	0.04	0.32	0.04	0.36	0.04	0.40	0.05	0.45	0.05	0.49	0.05	0.54	0.05	0.59
	AUG	8.04	0.13	0.17	0.13	0.30	0.05	0.35	0.05	0.38	0.05	0.44	0.05	0.49	0.05	0.53	0.05	0.58	0.05	0.63
	JUL	8.12	0.18	0.29	0.18	0.45	0.04	0.49	0.04	0.53	0.04	0.57	0.04	0.61	0.04	0.65	0.04	0.69	0.04	0.73
	JUN	8.26	0.18	0.45	0.18	0.53	0.06	0.59	0.06	0.73	0.06	0.78	0.04	0.82	0.04	0.88	0.04	0.90	0.04	0.94
	MAY	8.32	0.18	0.51	0.18	0.58	0.06	0.75	0.06	0.81	0.06	0.87	0.06	0.92	0.06	0.98	0.06	1.01	0.06	1.06
1982	APR	8.36	0.20	0.56	0.20	0.78	0.06	0.82	0.06	0.87	0.06	0.93	0.06	0.98	0.06	1.05	0.06	1.11	0.06	1.17
	MAR	8.36	0.21	0.61	0.21	0.82	0.06	0.87	0.06	0.92	0.06	0.97	0.06	1.03	0.06	1.10	0.06	1.18	0.06	1.24
	FEB	8.30	0.23	0.53	0.23	0.76	0.06	0.82	0.06	0.87	0.06	0.93	0.06	0.98	0.06	1.04	0.06	1.09	0.06	1.14
	JAN	8.22	0.20	0.43	0.20	0.63	0.07	0.70	0.07	0.77	0.07	0.84	0.06	0.88	0.06	0.93	0.06	0.98	0.06	1.03
	DEC	8.28	0.16	0.55	0.16	0.71	0.06	0.77	0.06	0.82	0.06	0.88	0.06	0.94	0.06	0.91	0.06	0.97	0.06	1.03
	NOV	8.32	0.17	0.70	0.17	0.87	0.06	0.93	0.06	0.98	0.06	1.03	0.06	1.08	0.06	1.13	0.06	1.19	0.06	1.24
	OCT	0.57	0.18	0.75	0.18	0.82	0.07	0.88	0.07	0.93	0.07	0.97	0.12	1.07	0.12	1.13	0.12	1.19	0.12	1.25
	SEP	0.85	0.15	0.90	0.15	0.98	0.07	1.02	0.07	1.06	0.07	1.10	0.08	1.14	0.08	1.18	0.08	1.22	0.08	1.26
	AUG	0.61	0.13	0.84	0.13	0.90	0.06	0.94	0.06	0.98	0.06	1.02	0.06	1.06	0.06	1.10	0.06	1.14	0.06	1.18
	JUL	0.10	0.08	0.18	0.08	0.26	0.10	0.36	0.10	0.45	0.10	0.55	0.06	0.60	0.06	0.64	0.06	0.68	0.06	0.74
	JUN	0.10	0.08	0.18	0.08	0.26	0.10	0.36	0.10	0.45	0.10	0.55	0.07	0.60	0.07	0.64	0.07	0.68	0.07	0.74
	MAY	0.83	0.11	0.88	0.11	0.95	0.08	1.00	0.08	1.05	0.08	1.10	0.07	1.14	0.07	1.18	0.07	1.22	0.07	1.26
1981	APR	0.85	0.19	0.88	0.19	0.94	0.11	0.99	0.11	1.04	0.11	1.09	0.08	1.14	0.08	1.18	0.08	1.22	0.08	1.26
	MAR	0.84	0.09	0.14	0.09	0.23	0.11	0.34	0.11	0.44	0.11	0.55	0.08	0.61	0.08	0.68	0.08	0.74	0.08	0.80
	FEB	0.82	0.12	0.04	0.12	0.18	0.16	0.26	0.16	0.37	0.16	0.47	0.07	0.54	0.07	0.61	0.07	0.68	0.07	0.75
	JAN	0.17	0.11	0.26	0.11	0.36	0.11	0.50	0.11	0.60	0.11	0.71	0.08	0.79	0.08	0.88	0.08	0.96	0.08	1.04
	DEC	0.18	0.12	0.30	0.12	0.42	0.10	0.52	0.10	0.63	0.10	0.73	0.06	0.81	0.06	0.88	0.06	0.96	0.06	1.04
	NOV	0.43	0.06	0.51	0.06	0.60	0.10	0.69	0.10	0.80	0.10	0.90	0.07	0.97	0.07	1.06	0.07	1.12	0.07	1.19
	OCT	0.66	0.06	0.72	0.06	0.77	0.06	0.82	0.06	0.88	0.06	0.93	0.06	1.00	0.06	1.05	0.06	1.10	0.06	1.15
	SEP	0.73	0.07	0.80	0.07	0.87	0.06	0.95	0.06	1.04	0.06	1.12	0.07	1.19	0.07	1.25	0.07	1.32	0.07	1.39
	AUG	0.54	0.12	0.68	0.12	0.79	0.08	0.83	0.08	0.87	0.08	0.92	0.07	0.98	0.07	1.05	0.07	1.12	0.07	1.18
	JUL	0.26	0.13	0.49	0.13	0.61	0.06	0.66	0.06	0.70	0.06	0.75	0.06	0.81	0.06	0.86	0.06	0.92	0.06	0.98
	JUN	0.28	0.11	0.49	0.11	0.60	0.07	0.67	0.07	0.73	0.07	0.80	0.06	0.86	0.06	0.91	0.06	0.96	0.06	1.01
	MAY	0.56	0.19	0.71	0.19	0.83	0.06	0.88	0.06	0.94	0.06	1.00	0.06	1.05	0.06	1.11	0.06	1.16	0.06	1.21

BOND YIELD DIFFERENTIALS
Public Utility Bond Yield Averages
 Source: Moody's Bond Survey

120 Month Average - 0.1243		0.1243		0.0748		0.0748		0.0748		0.1082		0.1082		0.1082		0.1082				
YEAR	MON	Ass SPREAD	Am1 SPREAD	Am2 SPREAD	Am3 SPREAD	A1 SPREAD	A2 SPREAD	A3 SPREAD	Baa1 SPREAD	Baa2 SPREAD	Baa3									
1980	APR	0.80	0.11	0.71	0.11	0.91	0.04	0.85	0.04	0.86	0.04	0.82	0.07	0.89	0.07	10.06	0.07	10.13	0.07	10.20
	MAR	0.48	0.08	0.84	0.08	0.80	0.08	0.86	0.08	0.77	0.08	0.85	0.07	0.92	0.07	0.89	0.07	10.08	0.07	10.13
	FEB	0.35	0.11	0.48	0.11	0.57	0.06	0.63	0.06	0.70	0.06	0.78	0.07	0.63	0.07	0.68	0.07	0.96	0.07	10.03
	JAN	0.06	0.16	0.24	0.16	0.39	0.06	0.45	0.06	0.50	0.06	0.56	0.06	0.62	0.06	0.68	0.06	0.74	0.06	0.80
	DEC	0.82	0.17	0.09	0.17	0.26	0.06	0.32	0.06	0.39	0.06	0.44	0.05	0.49	0.05	0.55	0.05	0.60	0.05	0.65
	NOV	0.82	0.19	0.09	0.19	0.25	0.06	0.34	0.06	0.42	0.06	0.51	0.04	0.55	0.04	0.60	0.04	0.64	0.04	0.68
	OCT	0.01	0.13	0.15	0.13	0.28	0.08	0.37	0.08	0.45	0.08	0.54	0.03	0.57	0.03	0.61	0.03	0.64	0.03	0.67
	SEP	0.10	0.13	0.23	0.13	0.35	0.08	0.43	0.08	0.50	0.08	0.58	0.04	0.62	0.04	0.66	0.04	0.70	0.04	0.74
	AUG	0.02	0.13	0.15	0.13	0.27	0.08	0.35	0.08	0.44	0.08	0.52	0.04	0.56	0.04	0.60	0.04	0.64	0.04	0.68
	JUL	0.98	0.13	0.11	0.13	0.23	0.08	0.32	0.08	0.41	0.08	0.50	0.05	0.55	0.05	0.59	0.05	0.64	0.05	0.69
	JUN	0.13	0.12	0.25	0.12	0.37	0.08	0.46	0.08	0.55	0.08	0.64	0.05	0.69	0.05	0.75	0.05	0.80	0.05	0.85
	MAY	0.60	0.09	0.70	0.09	0.79	0.07	0.86	0.07	0.92	0.07	0.99	0.10	10.09	0.10	10.19	0.10	10.29	0.10	10.39
	APR	0.98	0.07	0.85	0.07	10.02	0.05	10.07	0.05	10.13	0.05	10.18	0.10	10.28	0.10	10.39	0.10	10.49	0.10	10.59
	MAR	0.87	0.09	0.96	0.09	10.05	0.06	10.11	0.06	10.17	0.06	10.23	0.09	10.32	0.09	10.41	0.09	10.50	0.09	10.59
	FEB	0.71	0.11	0.62	0.11	0.83	0.05	0.86	0.05	10.02	0.05	10.07	0.10	10.17	0.10	10.28	0.10	10.38	0.10	10.48
1980	JAN	0.72	0.09	0.81	0.09	0.89	0.06	0.95	0.06	10.02	0.06	10.08	0.10	10.18	0.10	10.28	0.10	10.38	0.10	10.48
	DEC	0.67	0.11	0.79	0.11	0.90	0.05	0.95	0.05	10.01	0.05	10.06	0.13	10.19	0.13	10.31	0.13	10.44	0.13	10.57
	NOV	0.62	0.09	0.71	0.09	0.79	0.08	0.85	0.08	0.91	0.08	0.97	0.11	10.09	0.11	10.20	0.11	10.31	0.11	10.42
	OCT	0.52	0.14	0.68	0.14	0.80	0.03	0.83	0.03	0.87	0.03	0.90	0.15	10.05	0.15	10.20	0.15	10.35	0.15	10.50
	SEP	10.15	0.10	10.25	0.10	10.34	0.09	10.43	0.09	10.52	0.09	10.61	0.17	10.78	0.17	10.96	0.17	11.13	0.17	11.30
	AUG	10.86	0.10	10.78	0.10	10.85	0.11	10.96	0.11	11.06	0.11	11.17	0.17	11.34	0.17	11.52	0.17	11.68	0.17	11.86
	JUL	10.50	0.13	10.83	0.13	10.76	0.09	10.85	0.09	10.95	0.09	11.04	0.16	11.20	0.16	11.36	0.16	11.52	0.16	11.69
	JUN	10.27	0.13	10.40	0.13	10.52	0.09	10.61	0.09	10.70	0.09	10.79	0.16	10.95	0.16	11.11	0.16	11.27	0.16	11.43
	MAY	10.29	0.12	10.41	0.12	10.53	0.09	10.62	0.09	10.72	0.09	10.81	0.19	11.00	0.19	11.19	0.19	11.38	0.19	11.57
	APR	10.07	0.11	10.16	0.11	10.29	0.08	10.37	0.08	10.46	0.08	10.54	0.23	10.77	0.23	11.00	0.23	11.23	0.23	11.46
	MAR	0.72	0.10	0.82	0.10	0.92	0.06	0.96	0.06	10.03	0.06	10.08	0.20	10.29	0.20	10.48	0.20	10.69	0.20	10.89
	FEB	0.77	0.07	0.84	0.07	0.91	0.06	0.97	0.06	10.04	0.06	10.10	0.18	10.26	0.18	10.47	0.18	10.65	0.18	10.83
1980	JAN	10.39	0.07	10.46	0.07	10.52	0.08	10.60	0.08	10.66	0.08	10.76	0.19	10.95	0.19	11.15	0.19	11.34	0.19	11.53
	DEC	10.64	0.07	10.71	0.07	10.78	0.07	10.85	0.07	10.91	0.07	10.99	0.19	11.17	0.19	11.36	0.19	11.55	0.19	11.74
	NOV	10.43	0.09	10.53	0.09	10.62	0.07	10.68	0.07	10.75	0.07	10.82	0.19	11.01	0.19	11.21	0.19	11.40	0.19	11.59
	OCT	10.82	0.09	11.02	0.09	11.11	0.08	11.19	0.08	11.26	0.08	11.34	0.19	11.53	0.19	11.72	0.19	11.91	0.19	12.10
	SEP	10.53	0.07	10.60	0.07	10.68	0.19	10.85	0.19	11.03	0.19	11.22	0.12	11.34	0.12	11.46	0.12	11.59	0.12	11.70
	AUG	0.82	0.07	0.89	0.07	10.05	0.13	10.18	0.13	10.32	0.13	10.45	0.15	10.60	0.15	10.75	0.15	10.90	0.15	11.05
	JUL	0.56	0.07	0.63	0.07	0.70	0.15	0.85	0.15	10.00	0.15	10.15	0.16	10.31	0.16	10.48	0.16	10.62	0.16	10.78
	JUN	0.37	0.12	0.49	0.12	0.61	0.14	0.75	0.14	0.88	0.14	10.02	0.15	10.17	0.15	10.31	0.15	10.48	0.15	10.61
	MAY	0.34	0.14	0.49	0.14	0.63	0.08	0.72	0.08	0.82	0.08	0.91	0.16	10.07	0.16	10.24	0.16	10.40	0.16	10.56
	APR	0.83	0.16	0.89	0.16	0.15	0.08	0.23	0.08	0.30	0.08	0.36	0.19	0.54	0.19	0.69	0.19	0.85	0.19	10.01
	MAR	0.21	0.22	0.43	0.22	0.64	0.10	0.74	0.10	0.83	0.10	0.93	0.09	0.92	0.09	0.10	0.09	0.18	0.09	0.28
	FEB	0.29	0.20	0.49	0.20	0.69	0.10	0.79	0.10	0.89	0.10	0.90	0.08	0.98	0.08	0.19	0.08	0.24	0.08	0.32
1987	JAN	0.23	0.20	0.43	0.20	0.62	0.11	0.73	0.11	0.84	0.11	0.95	0.11	0.96	0.11	0.16	0.11	0.27	0.11	0.39
	DEC	0.41	0.20	0.61	0.20	0.91	0.10	0.91	0.10	0.92	0.10	0.12	0.12	0.24	0.12	0.37	0.12	0.49	0.12	0.61
	NOV	0.89	0.21	0.60	0.21	0.91	0.09	0.10	0.09	0.19	0.09	0.29	0.14	0.42	0.14	0.55	0.14	0.69	0.14	0.83
	OCT	0.64	0.20	0.94	0.20	0.24	0.08	0.33	0.08	0.43	0.08	0.52	0.14	0.66	0.14	0.81	0.14	0.95	0.14	10.08
	SEP	0.91	0.16	0.10	0.16	0.26	0.08	0.36	0.08	0.44	0.08	0.52	0.15	0.67	0.15	0.81	0.15	0.99	0.15	10.11
	AUG	0.89	0.22	0.91	0.22	0.93	0.09	0.12	0.09	0.20	0.09	0.29	0.14	0.43	0.14	0.56	0.14	0.70	0.14	0.84
	JUL	0.69	0.20	0.96	0.20	0.95	0.11	0.19	0.11	0.26	0.11	0.37	0.11	0.49	0.11	0.59	0.11	0.69	0.11	0.80
	JUN	0.02	0.17	0.19	0.17	0.36	0.09	0.45	0.09	0.53	0.09	0.62	0.14	0.76	0.14	0.90	0.14	10.03	0.14	10.17
	MAY	0.07	0.16	0.23	0.16	0.38	0.07	0.45	0.07	0.52	0.07	0.59	0.14	0.73	0.14	0.88	0.14	10.02	0.14	10.16
	APR	0.45	0.21	0.66	0.21	0.97	0.09	0.96	0.09	0.96	0.09	0.14	0.16	0.30	0.16	0.47	0.16	0.63	0.16	0.79
	MAR	0.75	0.20	0.86	0.20	0.16	0.11	0.27	0.11	0.37	0.11	0.48	0.14	0.62	0.14	0.77	0.14	0.91	0.14	10.06
	FEB	0.85	0.16	0.82	0.16	0.96	0.09	10.07	0.09	10.17	0.09	10.29	0.16	10.42	0.16	10.58	0.16	10.74	0.16	10.90
1988	JAN	10.14	0.16	10.29	0.16	10.44	0.12	10.56	0.12	10.67	0.12	10.79	0.15	10.94	0.15	11.09	0.15	11.24	0.15	11.39
	DEC	10.24	0.16	10.41	0.16	10.57	0.13	10.70	0.13	10.84	0.13	10.97	0.17	11.14	0.17	11.31	0.17	11.48	0.17	11.65
	NOV	10.71	0.20	10.91	0.20	11.19	0.13	11.23	0.13	11.36	0.13	11.49	0.16	11.67	0.16	11.86	0.16	12.04	0.16	12.22
	OCT	11.23	0.19	11.42	0.19	11.61	0.13	11.74	0.13	11.89	0.13	12.01	0.17	12.19	0.17	12.35	0.17	12.52	0.17	12.69
	SEP	11.27	0.20	11.49	0.20	11.69	0.15	11.83	0.15	11.98	0.15	12.13	0.20	12.33	0.20	12.52	0.20	12.72	0.20	12.92
	AUG	11.23	0.21	11.44	0.21	11.66	0.16	11.81	0.16	11.97	0.16	12.13	0.20	12.33	0.20	12.53	0.20	12.73	0.20	12.93
	JUL	11.19	0.16	11.37	0.16	11.55	0.17	11.72	0.17	11.90	0.17	12.07	0.21	12.26	0.21	12.46	0.21	12.70	0.21	12.91
	JUN	11.17	0.26	11.43	0.26	11.69	0.15	11.83	0.15	11.98	0.15	12.13	0.19	12.31	0.19	12.48	0.19	12.66	0.19	12.84
	MAY	12.19	0.23	12.42	0.23	12.65	0.16	12.81	0.16	12.98	0.16	13.12	0.17	13.29	0.17	13.45	0.17	13.62	0.17	13.79

5/95 Equity Ratios of Water Index Companies

	Book Value Per Share	Common Shares Outstanding	Common Equity	Total Debt	Preferred Equity	Equity Ratio
American Water Works	\$22.18	32.66	\$724.4	\$1,464.40	\$101.7	0.316257
Aquarion Company	\$17.41	6.69	\$116.5	\$115.60	\$0.0	0.501881
California Water Services Co.	\$23.08	6.25	\$144.2	\$135.90	\$3.5	0.508431
Consumers Water Company	\$12.42	8.26	\$102.6	\$159.90	\$1.1	0.389192
Philadelphia Suburban Corp.	\$12.27	11.48	\$140.8	\$153.10	\$7.1	0.46782
United Water Resources	\$11.28	31.39	\$354.1	\$591.50	\$107.2	0.336338
Average						42.00%

Source: Value Line Investment Survey
Edition 9 May 12, 1995
C. A. Turner Utility Reports May 1995

5/95 Equity Ratios of Natural Gas Index Companies

	Book Value Per Share	Common Shares Outstanding	Common Equity	Total Debt	Preferred Equity	Equity Ratio
Atlanta Gas & Light	\$21.24	25.60	\$543.8	\$718.10	\$58.5	0.411825
Bay State Gas	\$17.06	13.34	\$227.6	\$246.60	\$5.3	0.474608
Brooklyn Union Gas	\$16.99	48.08	\$816.9	\$717.50	\$7.2	0.529907
Indiana Energy	\$12.50	22.56	\$282.0	\$203.30	\$0.0	0.581051
Laclede Gas	\$13.09	15.71	\$205.6	\$244.20	\$2.0	0.455103
Northwest Natural Gas	\$20.32	13.30	\$270.2	\$332.70	\$42.5	0.418625
Peoples Energy	\$19.29	34.90	\$673.2	\$636.10	\$0.0	0.514174
Washington Gas & Light	\$24.22	21.21	\$513.7	\$439.40	\$28.5	0.523353

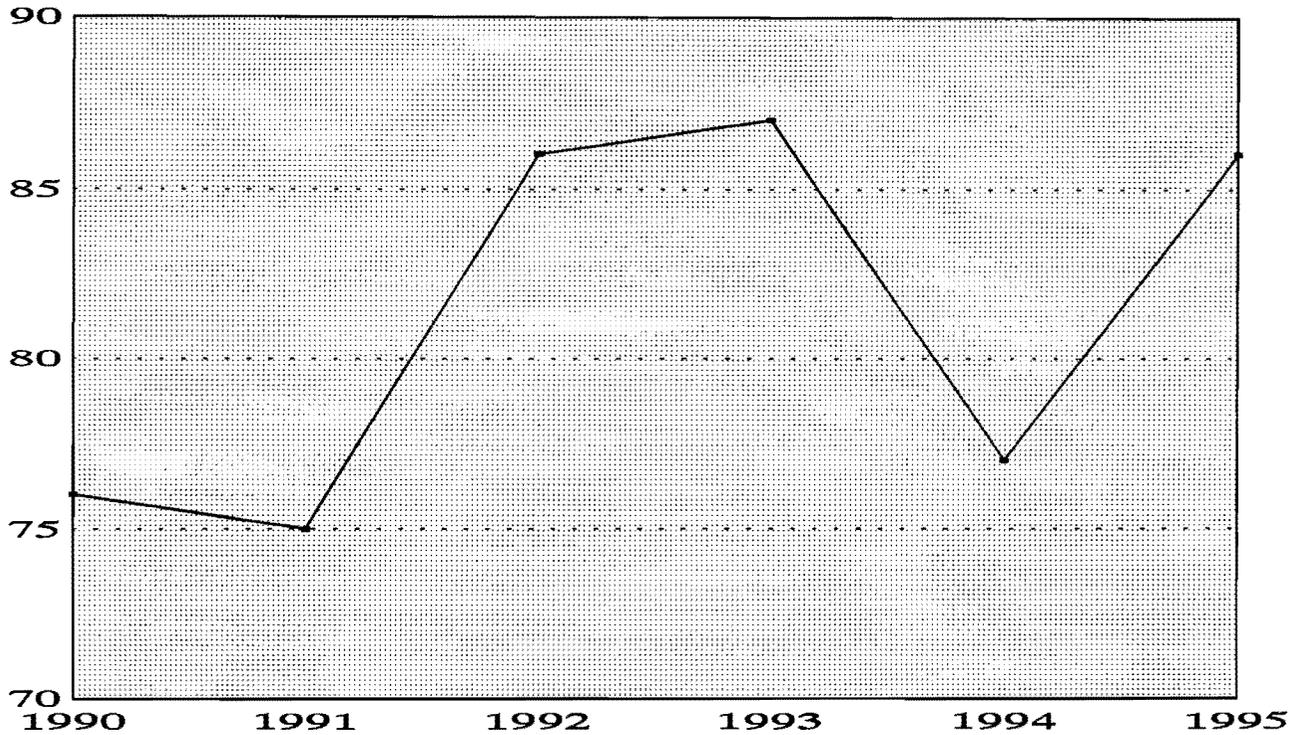
Average

48.86%

Source: Value Line Investment Survey
Edition 3 March 31, 1995
C. A. Turner Utility Reports May 1995

DOCKET 950495-WIS
EXHIBIT NO. 195
CASE NO. 96-04227

**SOUTHERN STATES UTILITIES, INC.
COMPLAINTS
6 YEAR COMPARISON**



FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950495-WIS EXHIBIT NO. 195
COMPANY/ WITNESS: FPSC/Printt
DATE: 2/23/96

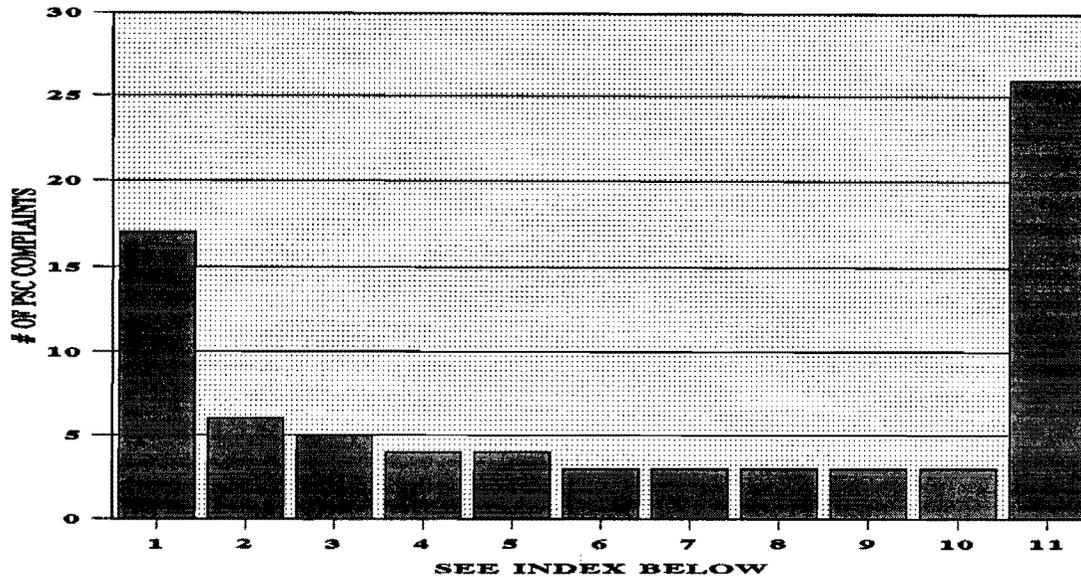
DOCUMENT NUMBER-DATE

02359 FEB 26 1996

FPSC-RECORDS/REPORTING

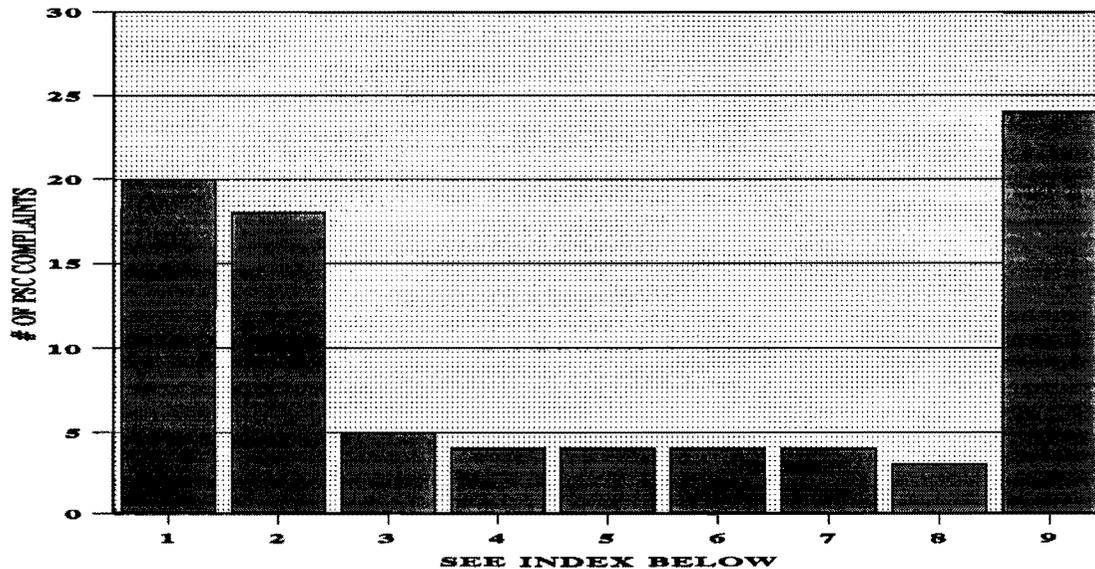
SOUTHERN STATES UTILITIES, INC.

1994 Major Types



- | | |
|--|---|
| <ul style="list-style-type: none"> 1. High Bill (17) 2. Water Pressure (6) 3. Improper Disconnect (5) 4. Water Quality (4) 5. Business Office Problem (4) 6. Backbilling (3) | <ul style="list-style-type: none"> 7. Billing Wrong Customer(3) 8. Misc. Billing Problem (3) 9. Sewage Problem (3) 10. Misc. Service (3) 11. Others (26) |
|--|---|

1995 MAJOR TYPES



- | | |
|---|--|
| <ul style="list-style-type: none"> 1. High Bill (20) 2. Water Quality (18) 3. Misc. Service (5) 4. Reconnect Charge (4) | <ul style="list-style-type: none"> 5. Water Pressure (4) 6. Improper Disconnect (4) 7. Business Office Problem (4) 8. Service Outage (3) 9. Others (24) |
|---|--|

DOCKET(950495-WSEXHIBIT NO. 196

RATE OPTION SUMMARY ANALYSIS

CASE NO. 96-04227

CRITERIA	OPTION 1 MODIFIED STAND ALONE	OPTION 2 STAND ALONE	OPTION 3 MODIFIED STAND ALONE WITH MINIMUMS	OPTION 4 UNIFORM	OPTION 5 CIAC/TREATMENT TYPE FACTORED RATE
AFFORDABILITY	STRONG CONSIDERATION DUE TO BENCH MARKS	NO CONSIDERATION	STRONG CONSIDERATION DUE TO BENCH MARKS	STRONG CONSIDERATION	STRONG CONSIDERATION THROUGH UNIFORM RATE
RESOURCE PROTECTION	MIXED DUE TO LACK OF LOW END PROTECTION	MIXED DUE TO NO LOW END PROTECTION	SOME LOW END PROTECTION DUE TO MINIMUMS	MODERATE PROTECTION DUE TO LOW END IMPACT	UNCERTAIN
EASE OF UNDERSTANDING	MODERATELY COMPLICATED	STRAIGHT FORWARD	MODERATELY COMPLICATED	STRAIGHT FORWARD	COMPLICATED
DEGREE OF SUBSIDY	SUBSIDIES OCCUR DUE TO BENCH MARKED RATES	NONE BETWEEN SERVICE AREAS	SUBSIDIES OCCUR DUE TO BENCH MARKED RATES AND MINIMUMS	STRONG CROSS SUBSIDIZATION ELEMENT	SUBSIDIZATION TEMPERED BY RECOGNITION OF FACTORS
REVENUE STABILITY	NO CONSIDERATION	NO CONSIDERATION	DUE TO MINIMUM SHOULD BE SLIGHTLY MORE STABLE THAN OPTIONS W/O MINIMUMS	PROBABLY GREATER DUE TO SIMPLICITY OF RATES	NO CONSIDERATION
ACQUISITIONS	SOME POSITIVE EFFECT DUE TO BENCH MARKED RATES	PROBABLY DETRIMENTAL W/O BENCH MARKS	SOME POSITIVE IMPACT DUE TO SUBSIDIES	POSITIVE IMPACT DUE TO EXPECTATION OF RATE LEVELS	UNCERTAIN
CONTINUITY	MAINTAINS CURRENT STRUCTURE	MAJOR CHANGE FOR SOME	MINOR IMPACTS TO CUSTOMERS BELOW MINIMUMS	MAJOR CHANGE	MAJOR CHANGE

DOCUMENT NUMBER-DATE

02362 FEB 26 1996

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET
NO. 950495 EXHIBIT NO 196COMPANY: FPSC/ShaferWITNESS: _____
DATE: _____