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December 20, 1996

HAND DELIVERY

Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Application For Rate Increase in Duval, Nassau, and St.
Johns Counties by United Water Florida Inc., Docket No.
960451-WS

Dear Ms. Bayo:

In connection with the above-referenced matter, please find enclosed for filing an original and fifteen copies of the Prehearing Statement of United Water Florida Inc. Please file the original and distribute the copies in accordance with your usual procedures. A diskette containing the prehearing statement is also enclosed.

If you have any questions or comments regarding this matter, please do not hesitate to call.

Sincerely yours,

Scott G. Schildberg
Scott G. Schildberg

ACK _____
AFA 2
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG 2
LIN 5
OPC _____
RCH _____
SEC 1
WAS _____
OTH _____

SGS/msa
Enclosures

cc: Mr. David E. Chardavoyne, hand delivery
Mr. Richard A. Hensch, hand delivery
Mr. Walton F. Hill, hand delivery
Mr. Robert J. Iacullo, hand delivery
Mr. Frank J. McGuire
Mr. Munipalli Sambamurthi, hand delivery
Ms. Rosanne G. Capeless, hand delivery
Mr. Harold McLean, hand delivery
Mr. James L. Ade

DOCUMENT NUMBER-DATE

13567 DEC 20 96

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Rate)
 Increase in Duval Nassau, and)
 St. Johns Counties by United) DOCKET NO.: 960451-WS
 Water Florida Inc.) Date Filed: December 20, 1996
 Inc.)
 _____)

PREHEARING STATEMENT OF
UNITED WATER FLORIDA INC.

United Water Florida Inc. ("Company," "Utility," "United Water Florida" or "UWF"), pursuant to Commission Order No. PSC-96-1230-PCO-WS, as amended by Commission Order Nos. 96-1286-PCO-WS and PSC-96-1518-PCO-WS, by and through its undersigned attorneys, hereby files its prehearing statement in this proceeding.

A. WITNESSES

Direct Testimony Witnesses:

1. Robert J. Iacullo
 200 Old Hook Road
 Harrington Park, NJ 07640-1799

Subject Matter:

Provide a general overview of United Water Florida's filing in this matter. Discuss the proposed increases in revenues for interim and final rates. Explain why the annual price indexing and pass thru adjustments are not sufficient to produce the revenue sought in this rate case. Demonstrate that interim rate relief should be granted. Identify the rate of return and equity sought by United Water Florida. Identify United Water Florida's witnesses and their areas of responsibility. Explain United Water Florida's corporate affiliations.

2. Philip Heil
 c/o United Water Florida Inc.
 1400 Millcoie Road
 Jacksonville, FL 32239-8004

Subject Matter:

Provide a history of United Water Florida and of its acquisitions. Describe the water supply and distribution system and the wastewater treatment and collection system of United Water Florida. Discuss the cross purchases of water supply and wastewater treatment by and between United Water Florida and the City of

DOCUMENT NUMBER-DATE

13567 DEC 20 96

FPSC-RECORDS/REPORTING

Jacksonville ("Jacksonville"). Discuss preparation and contents of Schedules B-7, B-8, and H-1 through H-13 of the Minimum Filing Requirements ("MFRs") of the Application of United Water Florida Inc. For Rate Adjustment ("Application"). Detail the functional relationship of the facilities and land used by United Water Florida and how they comprise a single utility system. Discuss United Water Florida's uniform set of rates and the advantages of having a uniform set of rates. Discuss the good quality of service provided by United Water Florida to its customers, United Water Florida's staff, United Water Florida's experience, and United Water Florida's operations, including its prevention and predictive maintenance programs, telemetry, geographic information system, continuous improvement program, tank painting cycle, meter change out program, and training program. Explain MFR Schedules B-7 and B-8 and benchmarking. Discuss United Water Florida's last two general rate cases, price indices and pass throughs, and its current needs for a general rate increase. Discuss United Water Florida's miscellaneous service charges, experience with bad debt and delinquent accounts, current procedures regarding past due accounts, and a proposed late fee. Discuss private fire protection rates and rules.

3. David deNagy
United Water Florida Inc.
1400 Millcoie Road
Jacksonville, FL 32239-8004

Subject Matter:

Discuss United Water Florida's capital improvement records and United Water Florida's actions upon discovery of loss of 1990 and 1991 invoices of less than \$2,000. Explain how the lost invoices can be verified and recreated by using with other accounting records.

4. Munipalli Sambamurthi
United Water Florida Inc.
1400 Millcoie Road
Jacksonville, FL 32239-8004

Subject Matter:

Discuss preparation and contents of MFR Schedules F-1 through F-10. Analyze unaccounted for water and United Water Florida programs which reduce water loss, including leak detection program, water main replacement program, water service pipes replacement program, and meter replacement program. Comment on similar programs for United Water Florida's wastewater system. Discuss other uses of water encountered by United Water Florida. Describe United Water Florida's water facilities, including its interconnected water

facilities. Discuss Commission's findings on used and useful in United Water Florida's last general rate case and subsequent changes in facilities. Discuss facilities which were not a part of United Water Florida's last rate case. Discuss growth in the Ponce deLeon service area. Comment on Thomas Cleveland's exhibit TFC-2. Comment on John Guastella's testimony and exhibits on used and useful. Discuss the use and usefulness of United Water Florida's water distribution and wastewater collection systems. Explain MFR Schedules F-9 and F-10 regarding average growth of Equivalent Residential Connections ("ERC's") of System.

5. Matthias Jost
United Water Management and
Services
200 Old Hook Road
Harrington Park, NJ 07640-1799

Subject Matter:

Discuss preparation and contents of MFR Schedules B-1, B-2, B-3, B-5, B-6, B-9, B-10, B-15, C-1, C-2, C-4, and G-20 through G-45, including explanation of use of GDP Chained Price Index, and further discuss the contents of such schedules, including operating and other expenses, interim rates, operating income, taxes, interest expense, investment tax credit ("ITC"), and amortizing support for adjustments to operation and maintenance expenses. Explain effect of Statement of Accounting Standards No. 106 on Post Retirement Benefits Other Than Pension ("PEBOP") liability. Discuss advantage of offering PEBOP to employees.

6. Mary Egan-Long
United Water Management and
Services
200 Old Hook Road
Harrington Park, NJ 07640-1799

Subject Matter:

Discuss preparation and contents of MFR Schedule G-26, G-27, G-28, G-39, and G-40. Explain adjustments to expenditures related to power, chemicals, outside sewage treatment, sludge removal, and purchased water.

7. Frank Gradilone III
United Water Management and
Services
200 Old Hook Road
Harrington Park, NJ 07640-1799

Subject Matter:

Discuss preparation and contents of MFR Schedules B-4 and E-1 through E-14. Present forecasts of metered water consumption and revenues, wastewater use and revenue, fire protection service revenues, and other revenues. Discuss changes in rates and proposed change in fixed service charges for general service and fire protection services. Explain proposed late payment fee.

8. Frank J. McGuire
United Water Management and
Services
200 Old Hook Road
Harrington Park, NJ 07640-1799

Subject Matter:

Discuss preparation and contents of MFR Schedules A-1 through A-19, B-13, B-14, C-3, C-5 through C-10, D-1 through D-8, and G-1 through G-19. Explain the capital structure of United Waterworks Inc. and its subsidiaries, including United Water Florida, and how United Water Florida's cost of debt is determined.

9. Thomas F. Cleveland
United Water Management and
Services
200 Old Hook Road
Harrington Park, NJ 07640-1799

Subject Matter:

Provide details and descriptions of the major capital expenditure projects and programs which are anticipated to be completed and in service by December 31, 1997. Discuss wastewater treatment facility evaluations of several wastewater treatment plants and detail upcoming plant improvements at several wastewater treatment plants. Detail upcoming improvements to general water treatment plants. Detail other capital expenditure programs and projects related to utility facilities, information technology, integrated financial

management system, customer information system, and technical architecture projects.

10. John F. Guastella
John F. Guastella & Associates
88 Main Street
Peapack, NJ 07977

Subject Matter:

Discuss used and useful analyses, including methods for performing used and useful analyses. Explain why used and useful analyses are particularly useful for water and wastewater utilities that are developer-related, newly formed, or subject to significant growth. Discuss why United Water Florida's should be considered 100% used and useful and why it does not have the typical characteristics for which a used and useful analysis is appropriate. Provide and explain a used and useful analysis of capacities and demands in compliance with the requirements of the MFR's.

Rebuttal Testimony Witnesses:

11. To be determined

Subject Matter

To be determined

B. EXHIBITS

| <u>Exhibit Number</u> | <u>Witness</u> | <u>Description</u> |
|-----------------------|----------------|--|
| _____ (PH-1) | Heil | List of Awards |
| _____ (PH-2) | Heil | Tariff Sheets - Miscellaneous Changes |
| _____ (PH-3) | Heil | Rulemaking Excerpts |
| _____ (PH-4) | Heil | Kane Staff Recommendation |

| | | |
|----------------------|-----------|--|
| <u>(FG-1)</u> | Gradilone | Report on Forecast of Water & Sewer Service Revenues for UWF for the rate years ending December 31, 1996 and December 31, 1997 |
| <u>(FG-2)</u> | Gradilone | Certain Existing and Proposed Tariff Sheets for UWF |
| <u>TFC-1</u> | Cleveland | Gross Plant Additions and Associated Advances/Contributions to be placed in service 1996 and 1997 |
| <u>TFC-2</u> | Cleveland | Capital Improvements in 1996 and 1997 to increase plant capacities |
| <u>JFG-1</u> | Guastella | Used and Useful Water and Sewer Test Year Ended December 31, 1995 |
| <u>JFG-2</u> | Guastella | Used and Useful Water and Sewer Test Year 1997 Year-End. |
| <u>Already Filed</u> | Heil | Application of United Water Florida Inc. for Rate Adjustment |

Already Filed

See Below

Minimum Filing
Requirements ("MFRs")

SECTION A - RATE BASE

| <u>SCHEDULE</u> | <u>WITNESS</u> | <u>DESCRIPTION</u> |
|-----------------|----------------|--|
| A-1 | McGuire | RATE BASE - WATER |
| A-2 | McGuire | RATE BASE - SEWER |
| A-3 | McGuire | ADJUSTMENTS TO RATE BASE |
| A-4 | McGuire | ANNUAL PLANT IN SERVICE ADDITIONS AND BALANCES |
| A-5 | McGuire | WATER PLANT IN SERVICE BY PRIMARY ACCOUNTS |
| A-6 | McGuire | SEWER PLANT IN SERVICE BY PRIMARY ACCOUNTS |
| A-7 | McGuire | SUMMARY OF NON-USED AND USEFUL PLANT |
| A-8 | McGuire | ANNUAL ACCUMULATED DEPRECIATION ADDITIONS AND BALANCES |
| A-9 | McGuire | WATER ACCUMULATED DEPRECIATION BY PRIMARY ACCOUNT |
| A-10 | McGuire | SEWER ACCUMULATED DEPRECIATION BY PRIMARY ACCOUNT |
| A-11 | McGuire | ANNUAL ADDITIONS AND BALANCES TO CIAC |
| A-12 | McGuire | CIAC BY TYPE AND CLASSIFICATION |
| A-13 | McGuire | ANNUAL ADDITIONS AND BALANCES OF AMORTIZATION OF CIAC |
| A-14 | McGuire | ACCUMULATED AMORTIZATION OF CIAC BY TYPE AND CLASSIFICATION |
| A-15 | McGuire | SCHEDULE OF AFUDC RATES USED |
| A-16 | McGuire | ADDITIONS AND BALANCES OF ADVANCES FOR CONSTRUCTION |
| A-17 | McGuire | WORKING CAPITAL ALLOWANCE CALCULATION |
| A-18 | McGuire | COMPARATIVE BALANCE SHEET - ASSETS (TEST YEAR) |
| A-18 | McGuire | COMPARATIVE BALANCE SHEET - EQUITY & LIABILITIES (TEST YEAR) |
| A-19 | McGuire | COMPARATIVE BALANCE SHEET - ASSETS (BASE YEAR) |
| A-19 | McGuire | COMPARATIVE BALANCE SHEET - EQUITY & LIABILITIES (BASE YEAR) |

SECTION B1 - OPERATING INCOME (WATER)

| <u>SCHEDULE</u> | <u>WITNESS</u> | <u>DESCRIPTION</u> |
|-----------------|----------------|--|
| B-1 | Jost | SCHEDULE OF WATER OPERATING STATEMENT |
| B-3 | Jost | ADJUSTMENTS TO NET OPERATING INCOME |
| B-4 | Gradilone | TEST YEAR OPERATING REVENUES |
| B-5 | Jost | OPERATION & MAINTENANCE EXPENSE BY MONTH - WATER |
| B-7 | Heil | COMPARATIVE O & M EXPENSES - WATER |
| B-9 | Jost | SCHEDULE OF TEST YEAR CONTRACTUAL SERVICES |
| B-10 | Jost | ANALYSIS OF RATE CASE EXPENSE |
| B-11 | Jost | ANALYSIS OF MAJOR MAINTENANCE PROJECTS - WATER |
| B-12 | Jost | SCHEDULE OF ALLOCATION OF EXPENSES |
| B-13 | McGuire | NET DEPRECIATION EXPENSE - WATER |
| B-15 | Jost | SCHEDULE OF TAXES OTHER THAN INCOME |

SECTION B2 - OPERATING INCOME (SEWER)

| <u>SCHEDULE</u> | <u>WITNESS</u> | <u>DESCRIPTION</u> |
|-----------------|----------------|--|
| B-2 | Jost | SCHEDULE OF WATER OPERATING STATEMENT |
| B-3 | Jost | ADJUSTMENTS TO NET OPERATING INCOME |
| B-4 | Gradilone | TEST YEAR OPERATING REVENUES |
| B-6 | Jost | OPERATION & MAINTENANCE EXPENSE BY MONTH - SEWER |
| B-8 | Heil | COMPARATIVE O & M EXPENSES - SEWER |
| B-9 | Jost | SCHEDULE OF TEST YEAR CONTRACTUAL SERVICES |
| B-10 | Jost | ANALYSIS OF RATE CASE EXPENSE |

| | |
|------|---------|
| B-11 | Jost |
| B-12 | Jost |
| B-14 | McGuire |
| B-15 | Jost |

ANALYSIS OF MAJOR MAINTENANCE PROJECTS - SEWER
 SCHEDULE OF ALLOCATION OF EXPENSES
 NET DEPRECIATION EXPENSE - SEWER
 SCHEDULE OF TAXES OTHER THAN INCOME

SECTION C - TAXES

| <u>SCHEDULE</u> | <u>WITNESS</u> |
|-----------------|----------------|
| C-1 | Jost |
| C-2 | Jost |
| C-3 | McGuire |
| C-4 | Jost |
| C-5 | McGuire |
| C-6 | McGuire |
| C-6 | McGuire |
| C-6 | McGuire |
| C-7 | McGuire |
| C-7 | McGuire |
| C-7 | McGuire |
| C-8 | McGuire |
| C-9 | McGuire |
| C-10 | McGuire |

DESCRIPTION
 RECONCILIATION OF TOTAL INCOME TAX PROVISION
 STATE & FEDERAL INCOME TAX CALCULATION - CURRENT
 INTEREST IN TAX EXPENSE CALCULATION
 BOOK/TAX TIMING DIFFERENCES - PERMANENT
 DEFERRED INCOME TAX EXPENSE
 ACCUMULATED DEFERRED INCOME TAXES - SUMMARY
 ACCUMULATED DEFERRED INCOME TAXES - STATE
 ACCUMULATED DEFERRED INCOME TAXES - FEDERAL
 INVESTMENT TAX CREDITS - ANALYSIS
 INVESTMENT TAX CREDITS - COMPANY POLICIES
 INVESTMENT TAX CREDITS - SECTION 46(f) ELECTION
 PARENT DEBT INFORMATION
 INCOME TAX RETURNS
 MISCELLANEOUS TAX INFORMATION

SECTION D - COST OF CAPITAL

| <u>SCHEDULE</u> | <u>WITNESS</u> |
|-----------------|----------------|
| D-1 | McGuire |
| D-2 | McGuire |
| D-3 | McGuire |
| D-4 | McGuire |
| D-5 | McGuire |
| D-6 | McGuire |
| D-7 | McGuire |
| D-8 | McGuire |

DESCRIPTION
 REQUESTED COST OF CAPITAL
 RECONCILIATION OF CAPITAL STRUCTURE TO RATE BASE
 PREFERRED STOCK OUTSTANDING
 COST OF SHORT-TERM DEBT
 COST OF LONG-TERM DEBT
 COST OF VARIABLE RATE LONG-TERM DEBT
 CUSTOMER DEPOSITS
 INTEREST COVERAGE & DIVIDEND PAYOUTS

SECTION E1 - RATES (WATER)

| <u>SCHEDULE</u> | <u>WITNESS</u> |
|-----------------|----------------|
| E-1 | Gradilone |
| E-2 | Gradilone |
| E-2 | Gradilone |
| E-3 | Gradilone |
| E-4 | Gradilone |
| E-5 | Gradilone |
| E-6 | Gradilone |
| E-7 | Gradilone |
| E-8 | Gradilone |
| E-9 | Gradilone |
| E-10 | Gradilone |
| E-11 | Gradilone |
| E-12 | Gradilone |
| E-13 | Gradilone |
| E-14 | Gradilone |

DESCRIPTION
 RATE SCHEDULE
 REVENUES AT PRESENT & PROPOSED INTERIM RATES
 RATE DEVELOPMENT SCHEDULE
 CUSTOMER MONTHLY BILLING SCHEDULE
 MISCELLANEOUS SERVICE CHARGES
 MISCELLANEOUS SERVICE CHARGE REVENUES
 PUBLIC FIRE PROTECTION SERVICE
 PRIVATE FIRE PROTECTION SERVICE
 CONTRACTS & AGREEMENTS
 TAX OR FRANCHISE FEES
 SERVICE AVAILABILITY CHARGES
 GUARANTEED REVENUES RECEIVED
 CLASS A UTILITY COST OF SERVICE STUDY
 REVENUES AT PRESENT & PROPOSED FINAL RATES
 BILLING ANALYSIS SCHEDULES

SECTION E2 - RATES (SEWER)

| <u>SCHEDULE</u> | <u>WITNESS</u> | <u>DESCRIPTION</u> |
|-----------------|----------------|--|
| E-1 | Gradilone | RATE SCHEDULE |
| E-2 | Gradilone | REVENUES AT PRESENT & PROPOSED INTERIM RATES |
| E-2 | Gradilone | RATE DEVELOPMENT SCHEDULE |
| E-3 | Gradilone | CUSTOMER MONTHLY BILLING SCHEDULE |
| E-4 | Gradilone | MISCELLANEOUS SERVICE CHARGES |
| E-5 | Gradilone | MISCELLANEOUS SERVICE CHARGE REVENUES |
| E-6 | Gradilone | PUBLIC FIRE PROTECTION SERVICE |
| E-7 | Gradilone | PRIVATE FIRE PROTECTION SERVICE |
| E-8 | Gradilone | CONTRACTS & AGREEMENTS |
| E-9 | Gradilone | TAX OR FRANCHISE FEES |
| E-10 | Gradilone | SERVICE AVAILABILITY CHARGES |
| E-11 | Gradilone | GUARANTEED REVENUES RECEIVED |
| E-12 | Gradilone | CLASS A UTILITY COST OF SERVICE STUDY |
| E-13 | Gradilone | REVENUES AT PRESENT & PROPOSED FINAL RATES |
| E-14 | Gradilone | BILLING ANALYSIS SCHEDULES |

SECTION F - OPERATING STATISTICS

| <u>SCHEDULE</u> | <u>WITNESS</u> | <u>DESCRIPTION</u> |
|-----------------|-------------------------|--|
| F-1 | Sambamurthi | GALLONS OF WATER PUMPED, SOLD & UNACCOUNTED FOR |
| F-2 | Sambamurthi | GALLONS OF WATER TREATED |
| F-3 | Sambamurthi | WATER TREATMENT PLANT DATA |
| F-4 | Sambamurthi | WASTEWATER TREATMENT PLANT DATA |
| F-5 | Sambamurthi & Guastella | USED & USEFUL CALCULATIONS - WATER |
| F-6 | Sambamurthi & Guastella | USED & USEFUL CALCULATIONS - WASTEWATER |
| F-7 | Sambamurthi | USED & USEFUL CALCULATIONS - DISTRIBUTION & COLLECTION |
| F-8 | Sambamurthi & Guastella | MARGIN RESERVE CALCULATIONS |
| F-9 | Sambamurthi | ERC CALCULATION - WATER |
| F-10 | Sambamurthi | ERC CALCULATION - WASTEWATER |

SECTION G - MISCELLANEOUS

| <u>SCHEDULE</u> | <u>WITNESS</u> | <u>DESCRIPTION</u> |
|-----------------|----------------|---|
| G-1 | McGuire | PLANT ADDITIONS - WATER & WASTEWATER - 1996 |
| G-2 | McGuire | PLANT ADDITIONS - WATER & WASTEWATER - 1997 |
| G-3 | McGuire | ADVANCES & CONTRIBUTIONS - WATER & WASTEWATER - 1996 |
| G-4 | McGuire | ADVANCES & CONTRIBUTIONS - WATER & WASTEWATER - 1997 |
| G-5 | McGuire | PLANT RETIREMENTS - WATER - 1996 |
| G-6 | McGuire | PLANT RETIREMENTS - WASTEWATER - 1997 |
| G-7 | McGuire | COST OF REMOVAL & SALVAGE - WATER & WASTEWATER - 1996 |
| G-8 | McGuire | COST OF REMOVAL & SALVAGE - WATER & WASTEWATER - 1997 |
| G-9 | McGuire | UNITED WATERWORKS BALANCE SHEETS - 1995 |
| G-10 | McGuire | UTILITY PLANT ACQUISITION ADJUSTMENTS - WATER & WASTEWATER |
| G-11 | McGuire | UNITED WATER FLORIDA BALANCE SHEETS @ 12/31/95 |
| G-12 | McGuire | ORGANIZATIONAL CHART |
| G-13 | McGuire | AFFILIATED COMPANY EXPENSE ALLOCATION |
| G-14 | McGuire | SERVICES PROVIDED BY AFFILIATED COMPANY & RELATED CONTRACTS |
| G-15 | McGuire | DEVELOPMENT OF UWM&S ALLOCATION FACTORS |
| G-16 | McGuire | ILLUSTRATION OF BILLING PROCEDURE |
| G-17 | McGuire | UWM&S AGREEMENT |

| | | |
|------|-------------|--|
| G-18 | McGuire | MFR (REQUIRED BY SECTION 24-30.436 (h) |
| G-19 | McGuire | CONTRACTUAL ARRANGEMENT WITH INFILCO DEGREMONT, INC. |
| G-20 | Jost | SALARY AND WAGES |
| G-21 | Jost | MEDICAL AND LIFE |
| G-22 | Jost | PENSION |
| G-23 | Jost | POST RETIREMENT BENEFITS |
| G-24 | Jost | EMPLOYEE SAVINGS PLAN |
| G-25 | Jost | OUTSIDE SERVICES |
| G-26 | Jost & Long | PURCHASED WATER |
| G-27 | Jost & Long | PURCHASED POWER |
| G-28 | Jost & Long | CHEMICALS |
| G-29 | Jost | TRANSPORTATION |
| G-30 | Jost | UNCOLLECTIBLES |
| G-31 | Jost | MANAGEMENT CHARGES |
| G-32 | Jost | GENERAL INSURANCE |
| G-33 | Jost | PAYROLL OVERHEAD TO CONSTRUCTION |
| G-34 | Jost | TRANSPORTATION OVERHEADS |
| G-35 | Jost | AMORTIZATIONS |
| G-36 | Jost | RATE CASE EXPENSE |
| G-37 | Jost | LEASED OFFICE EQUIPMENT |
| G-38 | Jost | OTHER GENERAL EXPENSES |
| G-39 | Jost & Long | OUTSIDE SEWAGE TREATMENT |
| G-40 | Jost & Long | SLUDGE HAULING EXPENSE |
| G-41 | Jost | DEPRECIATION EXPENSE |
| G-42 | Jost | PSC ASSESSMENT |
| G-43 | Jost | PAYROLL TAXES |
| G-44 | Jost | AD VALOREM TAXES |
| G-45 | Jost | OTHER GENERAL TAXES |

SECTION H - ADDITIONAL REQUIRED INFORMATION

| <u>SCHEDULE</u> | <u>WITNESS</u> | <u>DESCRIPTION</u> |
|-----------------|----------------|--|
| H-1 | Heil | MAP - SERVICE AREAS - DUVAL, NASSAU AND ST. JOHNS |
| H-2 | Heil | MAP - LOCATION OF LINES AND PLANT SITES |
| H-3 | Heil | CHEMICALS USED - WATER AND WASTEWATER TREATMENT |
| H-4 | Heil | CHEMICAL ANALYSIS |
| H-5 | Heil | PLANT OPERATING REPORTS - WATER AND WASTEWATER - 1994 & 1995 |
| H-6 | Heil | SANITARY SURVEY - WATER TREATMENT AND INSPECTION REPORT - WASTEWATER TREATMENT |
| H-7 | Heil | CONSTRUCTION AND OPERATING PERMITS |
| H-8 | Heil | NOTICES OF VIOLATION, CONSENT ORDERS, LETTERS OF NOTICE, OR WARNING NOTICES |
| H-9 | Heil | FIELD EMPLOYEES - DUTIES, RESPONSIBILITIES, ETC. |
| H-10 | Heil | VEHICLES - OWNED OR LEASED BY UTILITY |
| H-11 | Heil | CUSTOMER COMPLAINTS - 1995 |
| H-12 | Heil | PROOF OF OWNERSHIP OF LAND |
| H-13 | Heil | ORIGINAL AND THREE COPIES OF THE TARIFF SHEETS |

| | |
|--------------------------|----------------------|
| <u>Already Filed</u> | See Below |
| <u>DL-1</u> | <u>McGuire</u> |
| <u>DL 2</u> | <u>McGuire</u> |
| <u>DL-3</u> | <u>McGuire</u> |
| <u>DL-4</u> | <u>McGuire</u> |
| <u>DL-5</u> | <u>Jost</u> |
| <u>DL-6</u> | <u>Jost</u> |
| <u>DL-7</u> | <u>Heil</u> |
| <u>DL-8</u> | <u>Jost</u> |
| <u>DL-9</u> | <u>Jost</u> |
| <u>DL-10</u> | <u>Jost</u> |
| <u>DL-11</u> | <u>Jost, McGuire</u> |
| <u>DL-12</u> | <u>McGuire</u> |
| <u>DL-13</u> | <u>McGuire</u> |
| <u>DL-14</u> | <u>McGuire</u> |
| <u>DL-15</u> | <u>McGuire</u> |

Responses to August 12,
1996 Deficiency Letter

Schedules A-4, A-8, A-11,
A-13, and A-16.

Schedule A-5, Water Plant
in Service.

Schedule A-9, Accumulated
Depreciation.

Schedules A-18 and A-19,
Balance Sheets.

Schedules B-1 and B-2, Net
Operating Income.

Schedule B-3.

Schedules B-7 and B-8, O&M
Expense Comparisons.

Schedule B-10, Analysis of
Case Expense.

Schedule B-15, Taxes Other
Income.

Schedule C-1, Reconcilia-
tion of Total Income Tax
Provision.

Schedules C-2, C-3, C-5,
C-6, C-7(3 pages) and C-8
(4 pages).

Schedules C-9 and C-10.

Schedule D-1, Requested
Cost of Capital.

Schedule D-2,
Reconciliation of Capital
to Rate Base.

Schedules D-4 and D-5,
Short Term and Long-term
Debt.

| | | |
|--------------|--------------------|--|
| <u>DL-16</u> | <u>McGuire</u> | Schedule D-7, Customer Deposits. |
| <u>DL-17</u> | <u>Gradilone</u> | Schedule E-14, Billing Analysis. |
| <u>DL-18</u> | <u>Sambamurthi</u> | Schedule F-1. |
| <u>DL-19</u> | <u>McGuire</u> | Schedules G-1 through G-8. |
| <u>DL-20</u> | <u>McGuire</u> | A schedule which details and basis of projection, explaining the justification for each method or basis employed. |
| <u>DL-21</u> | <u>Sambamurthi</u> | Department of Environmental Protection (DEP) monthly operating reports for September, 1995, for each of its water plants except Jacksonville Heights. |
| <u>DL-22</u> | <u>Sambamurthi</u> | The DEP operating permits for the following wastewater treatment plants: <ul style="list-style-type: none"> a. Monterey- (Original Permit a n d construction permit for expansion.) b. Holly Oaks c. Royal Lakes d. Lofton Oaks e. Ponte Vedra f. San Pablo g. St. John's North |

REBUTTAL EXHIBITS
To Be Determined

United Water Florida reserves the right to utilize exhibits obtained during discovery in this matter, provided with its rebuttal testimony or the rebuttal testimony of others or used by the other parties in this matter.

C. STATEMENT OF BASIC POSITION

United Water Florida has filed extensive information supporting its Application for increased rates, and believes that no adjustments thereto are necessary or appropriate except those which may arise from corrections or updates to the filed information. The requested rate increases are being driven primarily by capital investments. The Company, in order to derive the most benefit from the cost of this rate case, has proposed a phased increase to capture these capital investments within the context of this rate case to avoid the need for separate rate filings in a relatively short period of time.

D. STATEMENT OF ISSUES AND POSITIONS - QUESTIONS OF FACT

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by UWF satisfactory?

Position: Yes. The evidence confirms that the Company is providing safe and adequate service to its customers and is meeting all applicable rules and standards.

Witnesses: Heil, Sambamurthi, Cleveland

TEST YEAR

ISSUE 2: Is an average or year end test year appropriate?

Position: A year end test year is appropriate to avoid the regulatory lag associated with an average test year. There should be no earnings loss associated with Company investments necessary to continue to provide good service to customers.

Witness: McGuire

RATE BASE

ISSUE 3: Have the proper plant retirements been made?

Position: Yes. The Company has made the appropriate plant retirements.

Witnesses: McGuire, Cleveland

ISSUE 4:

What is the appropriate adjustment to account for the missing plant records?

Position:

Zero. There should be no adjustment in connection with the missing invoices of less than \$2,000.00 from 1991 and 1992. Such costs were incurred by United Water Florida and they can be audited and verified by inspection of available records.

Witness:

deNagy

ISSUE 5:

What are the appropriate AFUDC rates for 1995, 1996, and 1997?

Position:

The appropriate AFUDC rate for 1995 and 1996 is 14.83%. The rate is composed of the AFUDC rate established by the Commission in Order No. 21492 dated June 30, 1989, grossed up for income tax on the equity portion of 5.91%. The Company has no position at this time on the appropriate AFUDC rate for 1997.

Witness:

McGuire

ISSUE 6:

What adjustments to plant-in-service are appropriate due to the AFUDC rates?

Position:

The Company has no position at this time and will address this in its rebuttal testimony.

Witness:

McGuire

ISSUE 7:

Is it appropriate to include property held for future use in rate base?

Position:

It is appropriate for prudently incurred costs associated with property held for future use to be recovered either in rate base or through AFPI charges.

Witness:

McGuire

ISSUE 8:

Is there excessive unaccounted for water, and if so, what adjustments are necessary?

Position:

There is no excessive unaccounted for water. The unaccounted for water percentage for 1995 is 9.5%.

which is well within accepted Commission and industry standards.

Witness: Sambamurthi

ISSUE 9: Is there excessive inflow and infiltration, and if so, what adjustments are necessary?

Position: There is no excessive inflow and infiltration.

Witness: Sambamurthi

ISSUE 10: Should a margin reserve be allowed for the water system, and if so, in what amount?

Position: The water system is 100% used and useful, without an allowance for margin reserve in the used and useful calculations. If, however, different theories or calculations are made, a margin reserve should be allowed where necessary. With respect to water mains, a margin reserve of 18 months should be used, and with respect to source of supply and treatment, a margin reserve of three years should be utilized.

Witness: Guastella

ISSUE 11: Should a margin reserve be allowed for the wastewater system, and if so, in what amount?

Position: The wastewater system is 100% used and useful. With respect to the Ponce de Leon wastewater treatment facility, the ratio of demands to capacity include allowances for margin reserve, and despite a calculated used and useful percentage of 44%, the facility is considered entirely used and useful for the reasons described in the Company's testimony. If, however, different theories or calculations are made, a margin reserve should be allowed where necessary. With respect to sewer mains, a margin reserve of 18 months should be used, and with respect to the wastewater treatment facilities, a margin reserve of five years should be used.

Witness: Guastella

ISSUE 12:

What are the appropriate used and useful percentages for the water treatment plant, and are adjustments necessary?

Position:

The appropriate used and useful percentage for the water treatment plant is 100%, and no adjustments are necessary.

Witness:

Guastella

ISSUE 13:

What are the appropriate used and useful percentages for the wastewater treatment plant, and are adjustments necessary?

Position:

The appropriate used and useful percentage for the wastewater treatment plant is 100%, and no adjustments are necessary.

Witness:

Guastella

ISSUE 14:

What are the appropriate used and useful percentages for the water distribution system, and are adjustments necessary?

Position:

The appropriate used and useful percentage for the water distribution system is 100%, and no adjustments are necessary.

Witness:

Guastella

ISSUE 15:

What are the appropriate used and useful percentages for the wastewater collection system, and are adjustments necessary?

Position:

The appropriate used and useful percentage for the wastewater collection system is 100%, and no adjustments are necessary.

Witness:

Guastella

ISSUE 16:

Should CIAC be imputed on margin reserve, and if so, in what amount?

Position:

No. It is improper to impute CIAC with respect to margin reserve because it creates a mismatch between revenues and costs. Expenditures for facilities represented by margin reserve are current, whereas service availability charge

revenues from future ERCs which will be connected to existing facilities are never received on a current basis. When new customers connect to the system utilizing what is currently considered margin reserve investment, there will be a need for additional current investment for margin reserve in order to be prepared to serve other new customers.

Witness:

Guastella

ISSUE 17:

Are the depreciation rates used by the utility appropriate?

Position:

Yes. The Company has used depreciation rates that are appropriate.

Witness:

McGuire

ISSUE 18:

What adjustments are appropriate to accumulated depreciation?

Position:

There are no adjustments necessary to accumulated depreciation.

Witness:

McGuire

ISSUE 19:

What is the appropriate amount of acquisition adjustments to be included in rate base?

Position:

The appropriate amount of acquisition adjustments to be included in rate base is \$594,326 for the water system and \$867,986 for the wastewater system.

Witness:

McGuire

ISSUE 20:

What is the appropriate amortization rate and amount for acquisition adjustments?

Position:

The appropriate amortization rate for acquisition adjustments is 5%. The amount for amortization of acquisition adjustments for the test year is \$52,409.

Witness:

McGuire

ISSUE 21:

What is the appropriate amount of unamortized tank painting expense included in rate base?

Position:

The appropriate amount of unamortized tank painting expense to be included in rate base is as follows:

| | | |
|------|---|-----------|
| 1995 | - | \$756,723 |
| 1997 | - | \$862,626 |

Witness:

McGuire

ISSUE 22:

What is the appropriate allowance for working capital?

Position:

The appropriate allowance for working capital is \$335,842 for the water system and \$651,929 for the wastewater system for the test year 1997.

Witness:

McGuire

ISSUE 23:

What is the amount of debit balance deferred income taxes that should be included in rate base, if any?

Position:

None. The net amount of deferred income taxes is a credit balance that should be included in United Water Florida's capital structure.

Witness:

McGuire

ISSUE 24:

What is the appropriate rate base?

Position:

The appropriate rate base for 1997 is \$30,043,254 for the water system and \$60,077,777 for the wastewater system, as adjusted for corrections and updates.

Witness:

McGuire

COST OF CAPITAL

ISSUE 25:

What is the appropriate capital structure for ratemaking purposes for the projected test year ending 12/31/97?

Position:

The appropriate capital structure for ratemaking purposes for the projected test year ending 12/31/97 is the capital structure for United Water

Florida established at 12/31/95 which is as follows:

| | Ratio | Cost | Weighted |
|-----------------------|---------|--------|----------|
| United Water Florida | 52.84% | 0.0872 | 4.61% |
| **Long Term Debt | | | |
| **Short Term Debt | 0.19% | 0.05 | 0.01% |
| **Preferred Stock | 43.74% | 0.1155 | 5.05% |
| **Common Equity | | | |
| Total Common Equity | 0.01% | 0.07 | 0.00% |
| Customer Deposits | 1.85% | 0.0999 | 0.18% |
| Investment Tax Cr. | | | |
| Rev. Accumulated Def. | 1.36% | 0.0 | 0.00% |
| Income Taxes | 100.00% | | 9.86% |

**Based on United Waterworks capital structure at 12/31/95.

Witness:

McGuire

ISSUE 26:

What is the appropriate cost rate for common equity?

Position:

The cost of common equity is that determined by the Commission's current leverage formula.

Witness:

McGuire

ISSUE 27:

What is the amount of credit balance deferred income taxes that should be included in the capital structure, if any?

Position:

The total amount of the credit balance deferred income taxes that should be included in United Water Florida's capital structure is \$917,179, which includes the net amount of both debit and credit amounts of deferred income taxes.

Witness:

McGuire

ISSUE 28:

What is the appropriate amount of and cost rate for unamortized investment tax credits that should be included in the capital structure?

Position:

The appropriate amount of the investment tax credit which should be included in the capital structure is \$1,246,518 and its cost rate should be that of United Waterworks Inc. as determined at year-end 1995, which is 9.99%.

Witness:

McGuire

ISSUE 29:

What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the projected test year ending 12/31/97?

Position:

See Issue 25.

Witness:

McGuire

NET OPERATING INCOME

ISSUE 30:

What are the appropriate number of water and wastewater ERCs and consumption for the historical test year ending 12/31/95?

Position:

The appropriate number of water and wastewater customers, consumption and ERCs for the historical test year ending 12/31/95 are as follows:

| | <u>Water</u> | <u>Wastewater</u> |
|-----------------------------------|---------------|-------------------|
| Customers Served | 26,157 | 20,314 |
| Consumption(gals.) | 4,340,822,000 | 3,384,519,000 |
| ERCs | 33,979* | 33,117** |
| *4,340,822,000 ÷ 365 = 350 gals | | |
| **3,384,519,000 ÷ 365 = 280 gals. | | |

Witness:

Gradilone

ISSUE 31:

What is the appropriate method of forecasting ERCs and consumption for the projected test year ending December 31, 1997, and what are the resulting projected number of water and wastewater ERCs and consumption to be used to calculate revenue for the 1997 projected test year and to calculate rates for service?

Position:

The Company's projections for water and wastewater use for the test year are based on projections of the number of customers served and the amount of water and wastewater used by these customers, disaggregated by customer class. The projected number of water service customers for the test year ending December 31, 1997, is 27,207. These customers are projected to consume 4,454,680,000

gallons of water. The projected number of wastewater customers for the test year ending December 31, 1997, is 21,731. These customers are projected to produce 3,674,782,000 gallons of effluent.

Witness:

Gradilone

ISSUE 32:

What adjustments, if any, are necessary to the 1997 projected test year revenues to reflect the appropriate number of water and wastewater ERCs and consumption?

Position:

Revenue should be increased by \$2,468,010, for the 1997 projected test year to reflect the appropriate number of water and wastewater ERCs and consumption, subject to updates, corrections and other adjustments.

Witness:

Gradilone

ISSUE 33:

Are any adjustments necessary to the projected test year salary and wage expenses?

Position:

Test year salaries and wages as updated are reasonable. The Company intends to provide a final update to its salary and wage expenses and the associated benefits, in its rebuttal testimony.

Witness:

Jost

ISSUE 34:

Are any adjustments necessary to the utility's 1997 operation and maintenance expense projection methodology?

Position:

No.

Witness:

Jost

ISSUE 35:

Are the allocated insurance expenses reasonable and appropriate?

Position:

Allocated insurance expenses are reasonable and appropriate. The Company's method of acquiring insurance at the parent level and allocating costs to subsidiaries has been found to be reasonable by all regulatory jurisdictions in which the Company operates. The Company intends to provide a final

update to its insurance expenses, based on the latest known premiums, in its rebuttal testimony.

Witness:

Jost

ISSUE 36:

What is the appropriate accounting treatment and expense level for Other Post Retirement Benefits (OPEBs)?

Position:

The accounting treatment required under FAS 13106 is appropriate. The expense levels for Other Post Retirement Benefits for the test year are \$194, 279 for the water system and \$345,384 for the wastewater system.

Witness:

Jost

ISSUE 37:

Are any adjustments necessary to the test year expenses related to the employee savings program (401k)?

Position:

The employee savings (401k) program costs should be appropriately reflected in rates, since this is a common benefit in corporate compensation programs and is considered as such for employees of UWF. The Company intends to provide a final update to its 401k program cost in its rebuttal testimony.

Witnesses:

Jost

ISSUE 38:

Should the replacement costs for the Information Technology (I.T.) project be included in the test year level of expenses?

Position:

Information Technology Project replacement costs are necessarily incurred in providing service to customers and are appropriately reflected in rates.

Witness:

Jost

ISSUE 39:

What adjustments are necessary to reclassify test year operation and maintenance expenses?

Position:

The following adjustments are necessary to reclassify test year operation and maintenance expenses:

| <u>Account No.</u> | <u>Account Title</u> | <u>Amount</u> |
|--------------------|----------------------|---------------|
| 641 | Rent-Sewer | \$51,330 |
| 741 | Rent-Water | (51,330) |
| 656 | Insurance-Water | (10,580) |
| 675 | Travel-Water | 10,580 |

Witness:

Jost

ISSUE 40:

Is the utility's requested expense for vehicle leasing reasonable and what adjustments, if any, are necessary?

Position:

The requested expense for vehicle leasing is necessarily incurred in providing service to customers, is reasonable and is appropriately reflected in rates. No adjustments are necessary.

Witness:

Jost

ISSUE 41:

What is the appropriate level for uncollectible accounts expense?

Position:

The appropriate levels of uncollectible accounts expense for the test year are \$42,261 for the water system and \$103,447 for the wastewater system.

Witness:

Jost

ISSUE 42:

Are any adjustments necessary to the projected test year operation and maintenance expenses for management fees allocated to the utility?

Position:

No. Management fees are prudently incurred and allocated properly.

Witnesses:

Jost, McGuire

ISSUE 43:

What is the appropriate amortization period for the utility's non-recurring expenses, and what adjustments are necessary, if any, to test year amortization expenses?

Position:

The appropriate amortization periods for the utility's non-recurring expenses are as contained in the MFRs. The 1997 amortizations for new projects should be annualized for 12 months rather than 10 months.

Witness: Jost

ISSUE 44: Should expenses related to charity contributions and membership dues be included in test year expenses?

Position: Yes. They are prudently incurred and appropriately reflected in rates.

Witness: Jost

ISSUE 45: Should expenses associated with investor relations be included in the projected test year operation and maintenance expenses?

Position: Yes. They are prudently incurred and appropriately reflected in rates. The NARUC Uniform System of Accounts provides for the recovery of expenses related to investor relations and reporting activities under account numbers 675 and 775.

Witness: Jost

ISSUE 46: Should expenses related to lobbying efforts be included in test year expenses?

Position: Yes. Lobbying expenses, such as those incurred in the repeal of the tax on CIAC and in the reauthorization of SDWA, are incurred for the benefit of customers.

Witness: Jost

ISSUE 47: What is the appropriate provision for rate case expense?

Position: No position at this time. The Company intends to provide an update to its rate case expense in its rebuttal testimony and a final update after conclusion of the hearings.

Witnesses: Jost, McGuire

ISSUE 48: What adjustments are appropriate to test year depreciation expense?

Position:

No adjustments to test year depreciation expense are appropriate other than those related to updates, corrections, or plant adjustments.

Witness:

McGuire

ISSUE 49:

What adjustments are appropriate to test year amortization of the acquisition adjustments?

Position:

No adjustments to test year amortization expense are appropriate other than those related to updates, corrections or other adjustments.

Witness:

McGuire

ISSUE 50:

What is the amount, if any, of above the line investment tax credit amortization?

Position:

The above the line investment tax credit amortization amount is \$35,040 for the test year.

Witnesses:

Jost, McGuire

ISSUE 51:

What is the amount, if any, of the parent debt adjustment?

Position:

See Issue 25.

Witness:

McGuire

ISSUE 52:

What adjustments, if any, are required to income tax expense as filed?

Position:

No adjustments are required to income tax expenses other than those relating to updates, corrections or other adjustments.

Witnesses:

Jost, McGuire

ISSUE 53:

What is the test year operating income before any revenue increase?

Position:

The test year operating income before any revenue increase is projected at \$3,908,893, subject to updates, corrections and other adjustments.

Witnesses:

Jost, Gradilone, McGuire

REVENUE REQUIREMENT

ISSUE 54:

Should uncollectible expenses related to the revenue expansion factor be approved?

Position:

Yes. Uncollectible expense related to the revenue factor was determined based on a four year average.

Witness:

Jost

ISSUE 55:

What is the appropriate revenue requirement?

Position:

The appropriate revenue requirements are \$10,631,396 for the water system and \$20,786,382 for the wastewater system, as set forth in the Company's filing, except as it may be adjusted as the case develops.

Witnesses:

Jost, Gradilone

RATES AND RATE STRUCTURE

ISSUE 56:

Are UWF's facilities and land functionally related and, if so, does the combination of functionally related facilities and land, wherever located, constitute a single system as defined under Section 3 67.021(11), Florida Statutes?

Position:

Yes. United Water Florida owns, manages, and operates its utility facilities and land as a single system. Such facilities and land are functionally related and constitute a single "system" as defined by Section 367.021(11), Florida Statutes. The Commission found that United Water Florida's land and facilities constituted a single system whose service tranverses county boundaries in Order No. 24335, and the Commission's decision was upheld in Board of County Commissioners of St. Johns County v. Beard, 601 So.2d 590, (Fla. 1st DCA 1992). There have been no substantial changes in United Water Florida's ownership management and operation of its utility facilities and land which would reduce the functional relationship of such land and facilities.

Witness:

Heil

ISSUE 57: Should UWF be required to bill its residential customers on a monthly basis?

Position: At this time, United Water Florida has no position on this issue, except to state that should such a change be made to its billing cycle, the revenue requirement granted in this case should be increased to allow United Water Florida to recover the additional costs of such monthly billing.

Witness: Sambamurthi

ISSUE 58: What is the appropriate revenue allocation between the base facility charge and the gallonage charge for both water and wastewater?

Position: The existing allocations between the base facility charges and gallonage charges for water and wastewater service are based on an analysis specifically done for United Water Florida, and United Water Florida believes this analysis is still valid and should be maintained.

Witness: Gradilone

ISSUE 59: What is the appropriate wastewater gallonage cap?

Position: The existing wastewater usage cap of 30,000 gallons per quarter for single family residential customers is reasonable and should be maintained.

Witness: Gradilone

ISSUE 60: Should the wastewater gallonage charge be differentiated between residential and general service?

Position: No. The cost to treat the wastewater effluent does not vary based on the source--residential or general service--therefore charging the same amount per gallon is fair and appropriate.

Witnesses: Sambamurthi, Gradilone

ISSUE 61: What are the appropriate wastewater rates for Jacksonville University?

Position:

The appropriate wastewater rates for Jacksonville University are set forth on MFR Schedule E-1, subject to corrections and updates. The current differential in rates between general service wastewater customers and Jacksonville University should be maintained. United Water Florida meters the wastewater flow directly for Jacksonville University and its rates are based upon the wastewater flows. For all other general service wastewater customers, the wastewater flow is imputed from metered water use, under the assumption that 80% of the potable water used by these customers ends up in the wastewater stream, and the rates are based on the metered water use. Therefore, the 25% differential between the general service wastewater rates and the rates for Jacksonville University is necessary to insure equitable treatment of all wastewater customers in the system.

Witnesses:

Sambamurthi, Gradilone

ISSUE 62:

Is a reuse rate appropriate, and, if so, what is the appropriate reuse rate?

Position:

No reuse rate is appropriate at this time because there is no reuse and the related costs cannot be determined. When more information concerning costs is available and reuse is imminent, then the Commission should establish a reuse rate.

Witnesses:

Cleveland, Sambamurthi

ISSUE 63:

Should the utility's requested phase-in rate proposal be approved as filed?

Position:

Yes. The Company's phase in program should be approved, because it benefits the Company and its customers. The plan would avoid the substantial time and expense required from both Company and the Commission associated with the filing of another general rate increase, while still allowing the Commission to verify and the Company to recover the capital costs associated with its 1996 and 1997 plant additions, which are the primary drivers of the need for rate relief.

Witness:

Iacullo

ISSUE 64:

Should private fire protection rates be calculated in accordance with Rule 25-30.465, Florida Administrative Code?

Position:

Yes. Private fire protection rates should be calculated in accordance with Rule 25-30.465, Florida Administrative Code.

Witnesses:

Heil

ISSUE 65:

What are the appropriate water and wastewater rates?

Position:

The Company's currently proposed rates are set forth in MFR Schedule E-1, subject to corrections and updates.

Witness:

Gradilone

ISSUE 66:

What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Position:

The Company has no position at this time.

Witness:

Jost

ISSUE 67:

In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Position:

The Company has no position at this time.

Witness:

Jost

ISSUE 68:

Should UWF's request for a \$3.00 late charge be approved?

Position:

Yes. The late payment charge should be approved to provide customers an incentive to pay bills on time. However, the charge should be implemented when the Company billing system is capable of billing the customers for this fee.

Witnesses:

Heil, Gradilone

SERVICE AVAILABILITY

ISSUE 69: Should UWF's service availability charges be uniform for its service areas?

Position: United Water Florida's service availability charges currently are not uniform. In order to determine whether United Water Florida's service availability charges should be revised, a study should be made of the service availability charges. United Water Florida intends to conduct such a study prior to its next rate case. Therefore, any revisions in United Water Florida's service availability charges should be deferred until its next rate case.

Witness: Sambamurthi

ISSUE 70: If any non-used and useful adjustments are made, should allowance for funds prudently invested (AFPI) charges be authorized?

Position: Yes.

Witnesses: Sambamurthi, Guastella

ISSUE 71: Has the utility complied with the NARUC Uniform System of Accounts?

Position: Yes. United Water Florida's books and records are kept in substantial compliance with the NARUC Uniform System of Accounts.

Witness: deNagy

ISSUE 72: If the utility has not complied with the NARUC Uniform System of Accounts, what Commission action is appropriate?

Position: None. Even if the utility is not in complete compliance with the NARUC Uniform System of Accounts, it already is taking sufficient action to bring itself into compliance and no Commission action is necessary.

Witness: deNagy

ISSUE 73:

Should an Allowance for Funds Used During Construction (AFUDC) rate be approved, and if so, what is the appropriate monthly discounted rate and effective date?

Position:

Yes. The appropriate monthly discount rate should be the Commission established AFUDC rate, as adjusted to gross up the equity portion for the federal and state income taxes in accordance with Financial Accounting Standard No. 109. The Company has no position at this time regarding the effective date.

Witness:

McGuire

E. STATEMENT OF ISSUES AND POSITIONS - QUESTIONS OF LAW

Questions of Law are interwoven with the Questions of Fact identified herein. For convenience, United Water Florida has left those issues in that section rather than repeating them here.

F. STATEMENT OF ISSUES AND POSITIONS - QUESTIONS OF POLICY

Questions of Policy are interwoven with the Questions of Fact and Law identified herein. For convenience, United Water Florida has left those issues in their respective sections rather than repeating them here.

G. STATEMENT OF ISSUES THAT HAVE BEEN STIPULATED TO BY THE PARTIES

There are no issues stipulated at this time by United Water Florida, the Office of Public Counsel, and the Staff.

H. STATEMENT AS TO PENDING MOTIONS AND OTHER MATTERS

There currently is pending before the Commission United Water Florida's Motion for a Protective Order regarding certain propriety confidential business information. United Water Florida intends to file (i) an additional Motion for Protective Order regarding certain propriety confidential business information, and (ii) a Motion for the Extension of Time to File Rebuttal Testimony.

I. STATEMENT AS TO PROCEDURAL REQUIREMENTS THAT CANNOT BE COMPLIED WITH, AND THE REASONS THEREFORE

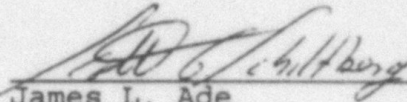
United Water Florida is aware of no requirements of the Order Establishing Procedure entered in this matter with which United Water Florida has not complied.

J. RESERVATION

United Water Florida will provide Late Filed Exhibits requested by the Staff of the Commission in depositions of witnesses of United Water Florida. Only recently have the Staff and the Office of Public Counsel filed Direct Testimony and Exhibits. United Water Florida anticipates timely filing rebuttal testimony in response to the Direct Testimony of Staff and the Office of Public Counsel. Therefore, United Water Florida reserves the right to call additional witnesses, increase the scope of the testimony of its known witnesses, introduce additional exhibits, raise additional issues, and amend this Prehearing Statement.

Respectfully submitted this 20th day of December, 1996.

MARTIN, ADE, BIRCHFIELD &
MICKLER, P.A.




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Attorneys for United Water
Florida Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that an original and fifteen copies of the Prehearing Statement of United Water Florida Inc., have been furnished to Blanca Bayo, Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Betty Easley Conference Center, Room 110, Tallahassee, Florida 32399-0850, by hand delivery, this 20th day of December, 1996, and copies of the foregoing Prehearing Statement of United Water Florida Inc., have been furnished to Rosanne G. Capeless, Attorney for the Staff of the Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and to Harold McLean, Esquire, Office of Public Counsel, c/o the Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400, by hand delivery, this 20th day of December, 1996.


Attorney