

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate) DOCKET NO. 940847-WS
increase in Duval County by) ORDER NO. PSC-95-0839-PHO-WS
ORTEGA UTILITY COMPANY.) ISSUED: July 14, 1995
_____)

Pursuant to Notice, a Prehearing Conference was held on July 6, 1995, in Tallahassee, Florida, before Commissioner Julia L. Johnson, as Prehearing Officer.

APPEARANCES:

B. Kenneth Gatlin and Wayne L. Schiefelbein, Esquires,
Gatlin, Woods & Carlson, The Mahan Station, 1709-D Mahan
Drive, Tallahassee, Florida 32308
On behalf of Ortega Utility Company.

Marc S. Nash and Lila A. Jaber, Esquires, Florida Public
Service Commission, 2540 Shumard Oak Boulevard,
Tallahassee, Florida 32399-0863
On behalf of the Commission Staff.

PREHEARING ORDER

I. CASE BACKGROUND

Ortega Utility Company (Ortega or utility) is a Class B water and wastewater utility providing service for approximately 1,342 water and 1,211 wastewater customers in Duval County. The utility is contained within the St. Johns River Water Management District which is a critical use area. For the test year ended June 30, 1994, the utility reports water operating revenues of \$528,199 and wastewater operating revenues of \$726,091.

The Commission last established rates for this utility in a limited proceeding in Docket No. 911168-WS. Order No. PSC-92-0633-FOF-WS, issued July 8, 1992, addressed the utility's petition for emergency and permanent rate relief as well as the interconnection of the Herlong water and wastewater systems with the City of Jacksonville. The last full rate proceeding was held in Docket No. 871262-WS, and the final order, Order No. 21137, was issued on April 27, 1989.

On December 21, 1994, the utility filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081(2), 367.081(3) and 367.082, Florida Statutes. The utility did not satisfy the Minimum Filing Requirements (MFRs) and

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a letter was sent to the utility notifying it of its deficiencies on January 5, 1995. On February 20, 1995, the utility satisfied the MFRs and this date was designated as the official filing date.

By Order No. PSC-95-0573-FOF-WS, issued May 9, 1995, the Commission denied Ortega interim water rates and granted it interim wastewater rates. On May 18, 1995, Ortega timely filed a Motion for Reconsideration of Order No. PSC-95-0573-FOF-WS. At the June 27, 1995, Agenda Conference, the Commission denied Ortega's motion. This docket has been scheduled for a July 20-21, 1995, administrative hearing.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 367.156, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 367.156, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 367.156, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the

confidential nature of the information is preserved as required by statute.

- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

III. POST-HEARING PROCEDURE

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. You must include in that statement, a summary of each position of no more than 50 words, set off with asterisks. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in

conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

IV. PREFILED TESTIMONY AND EXHIBITS

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

V. ORDER OF WITNESSES

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
Alan W. Potter, Sr.	Utility	10, 11, 12, 15, 16, 21, 24, 26- 32
Jim L. Bowen	"	9-12, 14, 15, 21-25, 27, 28, 29, 31, 32
Alan W. Potter, Jr.	"	1-8, 10-13, 15, 17-21, 24, 27- 32

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
<u>Direct</u>		
*Kristen Smeltzer	Staff	1
*Thomas R. Hamilton	"	1
*Charles J. Hubsch	"	1
Robert J. Crouch	Staff	7, 8
Patricia W. Merchant	"	10, 13, 15

Rebuttal

Alan W. Potter, Sr.	Utility
Alan W. Potter, Jr.	"
Jim L. Bowen	"

* Ortega has stipulated to these witnesses testimony, and therefore, they will not appear at the hearing. Their testimony will be submitted for the record at the hearing.

VI. BASIC POSITIONS

UTILITY: Generally, the necessity for a rate increase arises from the fact that, as adjusted for the test year ended June 30, 1994, the current rates will generate a rate of return of only 5.47% on a rate base of \$1,602,815 for providing wastewater service, and of only 10.59% on a rate base of \$959,735 for providing water service. In order for Ortega Utility Company to have an opportunity to earn a fair and reasonable rate of return of 11.33%, it will need to increase its annual wastewater revenues by \$157,657 and its water revenues by \$11,922, based on the test year ended June 30, 1994.

Ortega also requests that it be granted an adjustment to wastewater rate base of \$239,377 to restore to rate base the return of capital (depreciation) which was not recovered in rates established by the Commission.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing

for the hearing. Staff's final positions will be based upon all of the evidence in the record and may differ from the preliminary positions.

The information gathered through discovery and prefiled testimony indicates, at this point, that the utility is entitled to some level of increase. The specific level cannot be determined until the evidence presented at hearing is analyzed.

VII. ISSUES AND POSITIONS

ISSUE 1: Is the quality of service provided by Ortega Utility Company satisfactory?

POSITIONS

UTILITY: The quality of service provided by Ortega Utility Company is safe, sufficient and efficient. This service is satisfactory for all reasonable needs of the customers of Ortega.

STAFF: No position pending receipt of customer testimony.

ISSUE 2: Is a third high service pump necessary for the Airport water distribution system to achieve regulatory compliance, and if so, what is the amount and to what account would this apply?

POSITIONS

UTILITY: Yes, a third high service pump is necessary at the Airport Water Treatment Plant to provide reliability of service and the ability to deliver the code required fire flows during routine maintenance and emergency repairs. The cost of installing this item of plant is estimated at \$18,000 and would go under account number 10100-311.

STAFF: Yes; however, the cost and the account number cannot be determined pending further development of the record.

ISSUE 3: Is a fifth high service pump necessary for the Blanding water distribution system to reliably achieve required fire flows, and if so, what is the amount and to what account would this apply?

POSITIONS

UTILITY: Yes, a fifth high service pump is necessary for the Blanding Water Treatment Plant to reliably provide and deliver the fire code mandated flows during routine maintenance and emergency repairs. The cost of installing this item of plant is estimated at \$18,000 and would go under account number 10100-311.

STAFF: Yes; however, the cost and the account number cannot be determined pending further development of the record.

ISSUE 4: Does the utility operate major sewage pumping stations that would benefit by having auto-dialers for emergency conditions, and if so, at what cost and to which account would this apply?

POSITIONS

UTILITY: Yes, the public would benefit from the installation of auto-dialers for emergency conditions at major sewage pumping stations. Ortega considers seven of its pumping stations as being critical and deserving auto-dialers. The cost for this equipment per location is \$184.11 (phone line), \$85.19 (dialer) and \$180.00 (installation). Because of the need for phone lines, a yearly operations cost of \$531.12 per location would also be incurred. The appropriate account for these items is to be determined.

STAFF: Yes; however, the major pumping stations need to be identified, the cost ascertained, and the appropriate account determined.

ISSUE 5: Should proforma costs for a generator to be located at the Airport site be included in plant in service, and if so, at what cost?

POSITIONS

UTILITY: Yes, funds should be included for the installation of a generator at the Airport Water Treatment Plant to allow for the operation of the total system. The existing generator at the Airport Water Treatment Plant should be moved to a master lift station to provide auxiliary power at the lift station. Additionally, funds should be included for the installation of a second generator at the Blanding Wastewater Treatment Plant in order that full time auxiliary power is available. The costs of these items and the appropriate account are to be determined.

STAFF: Yes, if the utility demonstrates a lack of adequate auxiliary power at the Airport and Blanding Systems.

ISSUE 6: Should proforma costs for the Blanding system relief wastewater force main be included in plant in service, and if so, at what cost?

POSITIONS

UTILITY: Yes, the proforma costs for the Blanding East Relief Main Force should be included in plant in service. The current contract cost for this item is \$81,543 but is subject to change should field conditions warrant.

STAFF: Yes; however, the cost is undetermined at this time.

ISSUE 7: Should margin reserve be included in the used and useful calculations for the Airport, Herlong, and Blanding Systems, and if so, what is the appropriate amount?

POSITIONS

UTILITY: Yes, a margin reserve is appropriate for the Airport, Blanding, and Herlong systems. However, the margin reserve for the Airport and Herlong systems should be limited to that which allows for system use fluctuations as no new customer growth is anticipated on these systems. The margin reserve for the Blanding system should be 9.82% which represents the average growth rate during 1992 and 1994.

STAFF: Yes; however due to lack of growth in the Airport and Herlong systems, margin reserve is zero. Margin reserve for the Blanding systems is yet to be determined. Further, consistent with Commission practice, the allowance for margin reserve, if any, should be offset by imputed CIAC.

ISSUE 8: What is the used and useful percentage of the water and wastewater treatment plants for the Blanding System?

POSITIONS

UTILITY: The used and useful percentages for water treatment plant and wastewater treatment plant of the Blanding System are 100%.

STAFF: The Blanding water treatment plant and wastewater treatment plant used and useful percentages are yet to be determined.

ISSUE 9: Should the utility's adjustment to restore depreciation be allowed?

POSITIONS

UTILITY: Yes. This adjustment is not retroactive ratemaking as Ortega Utility Company is not requesting lost earnings to be recovered from future customers. It is an appropriate adjustment to allow the utility to earn prospectively on capital invested, used in the public service and not returned to the investors. The failure of the Commission to restore the depreciation and the failure to provide rates which would have allowed for the recovery of depreciation is the taking of the utility's property in violation of Chapter 367, Florida Statutes, and the State and Federal Constitutions.

STAFF: No, the utility's adjustment cannot be allowed since it would constitute retroactive ratemaking.

ISSUE 10: What is the appropriate amount for working capital?

POSITIONS

UTILITY: The appropriate amount is subject to the resolution of other issues.

STAFF: The appropriate amount is subject to the resolution of other issues.

ISSUE 11: What is the appropriate level of test year rate base?

POSITIONS

UTILITY: This amount is set forth in the MFRs and is subject to the resolution of other issues.

STAFF: The final amount is subject to the resolution of other issues.

ISSUE 12: What adjustments are necessary to reflect proforma capital?

POSITIONS

UTILITY: The pro forma plant should be included as debt at the documented historical cost of debt and documented mortgage rate for Ortega (12%).

STAFF: The proforma plant amounts should be included as debt in the capital structure at the prime rate of interest plus 2%.

ISSUE 13: What is the appropriate cost rate for the \$200,000 line of credit from the American National Bank related to the Airport System mortgage?

POSITIONS

UTILITY: The appropriate cost rate is 9% at this time. However, Ortega, upon an adjustment to the current cost rate, should be allowed to adjust rates to reflect an increase expeditiously upon notice and application to the Commission, pursuant to the appropriate law, including Section 367.0822, Florida Statutes, or as otherwise provided in the final order in this docket.

STAFF: The appropriate cost for the \$200,000 line of credit is a fixed rate of 9%.

ISSUE 14: Is an adjustment required to reflect the gross-up of CIAC collected as a source of capital?

POSITIONS

UTILITY: The gross-up on CIAC should be reflected as a source of capital after reduction for any related net debit deferred tax balance and when no refund is required.

STAFF: Yes, \$373,603 should be added to the capital structure as cost-free capital. This amount reflects the total gross-up funds collected less the net debit deferred tax balance for the test year. No adjustment should be made to reduce this amount by the tax-on-tax balance.

ISSUE 15: What is the overall cost of capital?

POSITIONS

UTILITY: 11.33%.

STAFF: The final amount is subject to the resolution of the other issues.

ISSUE 16: What is the appropriate adjustment to water and wastewater service revenues for the customer not billed by the utility for the test year ending June 30, 1994?

POSITIONS

UTILITY: No adjustment is appropriate.

STAFF: No position pending further development of the record.

ISSUE 17: Is a backflow prevention device necessary at the Airport water treatment plant in order to achieve regulatory compliance, and if so, what is the appropriate amount and to what account would this apply?

POSITIONS

UTILITY: Yes.

STAFF: Yes; however, the cost and the account number cannot be determined pending further development of the record.

ISSUE 18: Are the utility's water storage tanks in need of painting, and if so, what is the appropriate amount and the proper amortization period?

POSITIONS

UTILITY: Yes. The water storage tanks at the Blanding STP were painted after the test year. The cost of this painting was \$9,977.25. It is estimated that an additional \$3,500 will be necessary to sand blast and paint the hydro-pneumatic tank at the Airport Water Treatment Plant. Additionally, the buildings have also been painted a cost of \$3,175.

STAFF: Yes; however, the appropriate amount cannot be determined pending further development of the record. The appropriate amortization period is five years.

ISSUE 19: Is it appropriate to incorporate in this rate case the new, annual fees to the State of Florida for the NPDES regulatory process as a proforma operation and maintenance expense, and if so, what is the cost and to what account would this apply?

POSITIONS

UTILITY: Yes.

STAFF: Yes, wastewater miscellaneous expense should be increased but the amount is yet to be determined.

ISSUE 20: What adjustments are necessary to miscellaneous expenses?

POSITIONS

UTILITY: The miscellaneous expenses for water should be increased by \$550.

STAFF: Miscellaneous expense for water should be reduced by \$550 for a Consent Order issued by the Duval County Public Health Department. In addition, water miscellaneous expenses should be reduced by \$2,000 for a violation fee paid to the Environmental Protection Agency.

ISSUE 21: What is the appropriate amount of rate case expense?

POSITIONS

UTILITY: All expenses incurred by Ortega Utility Company as a result of the requirements, demands, and requests of the Florida Public Service Commission and its staff in the prosecution of this docket are to be allowed as rate case expense. Additionally, the time value of money shall be included in the amortization of the rate case expense.

STAFF: No position pending further development of the record. However, only prudently incurred rate case expense should be allowed.

ISSUE 22: Should the tax-on-tax effect of gross-up be recognized in cost of service over the life of contributed assets?

POSITIONS

UTILITY: The tax-on-tax effect of gross-up is a permanent difference which could be charged against the gross-up account when paid. If the tax-on-tax portion of the gross-up collected is amortized to income over the life of the related contributed assets, then a corresponding debit deferred tax balance is recognized when the tax is paid. The debit deferred tax balance would be amortized to expense over the life of the contributed assets.

STAFF: Yes, the tax-on-tax related to gross-up should be reflected in cost of service over the life of the contributed assets in accordance with the requirements of Order No. 23541.

ISSUE 23: What is the appropriate amount of test year operating income before any revenue increase?

POSITIONS

UTILITY: The final amount is subject to the resolution of other issues.

STAFF: The final amount is subject to the resolution of other issues.

ISSUE 24: What is the amount of increase in operating revenues that should be allowed in this proceeding?

POSITIONS

UTILITY: The final amount is subject to the resolution of other issues.

STAFF: The final amount is subject to the resolution of other issues.

ISSUE 25: What is the appropriate revenue requirement?

POSITIONS

UTILITY: The final amount is subject to the resolution of other issues. However, the revenue should not cause the continuation of losses experienced by Ortega Utility Company but should allow a rate of return on rate base and the ability to retire debt held by stock holders.

STAFF: The final amount is subject to the resolution of other issues.

ISSUE 26: Is Ortega Utility Company in violation of Order No. 21137, issued April 27, 1989?

POSITIONS

UTILITY: No.

STAFF: Yes. By Order No. 21137, the Commission ordered Ortega to file a service availability case. To date, no application has been received. Therefore, the utility should be required to file a service availability case within 6 months after the issuance of the final order.

ISSUE 27: What are the appropriate water and wastewater rates?

POSITIONS

UTILITY: The final rate amount is subject to the resolution of other issues.

STAFF: The final rate amount is subject to the resolution of other issues.

ISSUE 28: 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?

POSITIONS

UTILITY: The appropriate amount is subject to the resolution of other issues.

STAFF: The appropriate amount is subject to the resolution of other issues.

ISSUE 29: Is a refund of interim rates required? If so, what is the appropriate amount?

POSITIONS

UTILITY: No refund is appropriate.

STAFF: The determination of any refund is subject to the resolution of other issues.

ISSUE 30: Should Ortega be allowed to index its rates requested in this proceeding to account for the administrative lag between a June 30, 1994 test year, and a July 21, 1995 hearing and an October 20, 1995 final rate order?

POSITIONS

UTILITY: Yes. The administrative lag built into the system creates an automatic loss to earnings of Ortega. Failure to account for this loss initially will only continue the historically demonstrated underearnings cause by previous actions by the Commission.

STAFF: No.

ISSUE 31: How should underearnings (earnings at a level less than minimum authorized rate of return) be treated in the books of Ortega Utility Company and by the Commission for the purpose of setting just and compensatory rates?

POSITIONS

UTILITY: The only beneficiary of earnings which are less than the minimum authorized by the Commission is the customer. When rates set by the Commission generate insufficient cash flow to provide a just and reasonable rate of return, the net effect is the transfer of assets back to the customers. This return of assets to the customers should be booked as return of Contributions in Aid of Construction (CIAC) and removed for the cash CIAC account of Ortega Utility Company.

STAFF: No position pending resolution of other issues.

ISSUE 32: Should Ortega Utility Company be granted a fair and reasonable adjustment to reclassify historic underearnings (earnings below the minimum authorized rate of return) as a return of capital to the customers?

POSITIONS

UTILITY: Yes. Historic underearnings should be reclassified by journal entry as a debit to the cash CIAC accounts and create and credit a new account identified as "Unrealized Authorized Earnings."

STAFF: No.

VIII. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
Composite	Utility	AWPS-1	MFRs (consisting of Second Amended Application, Books A, B, and D)
Alan W. Potter, Sr. Alan W. Potter, Jr.	Utility "	AWPS-1 "	(Composite) Ortega Utility Company, Rate Case Docket No. 940847-WS, Rate Application an MFRs, Book "A," Test Year Ending June 30, 1994
Jim L. Bowen	"	"	Book A (accounting information in Sections A-G)
Alan W. Potter, Jr.	"	"	Book A (Schedules Nos. A-07, B-11, and E-06-08; Sections F and G; and Exhibit E) Book B Maps and System As-Built Drawings ("Book D")
Alan W. Potter, Sr.	"	AWPS-2	Rate Case Expense Summary
Alan W. Potter, Jr.	"	AWPJ-1	D E P Permit Application to Construct Force Main Reinforcement
Thomas R. Hamilton	Staff	TRH-1	Memo regarding interconnection between the City of

Jacksonville and the
Herlong System

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
Thomas R. Hamilton	Staff	TRH-2	Sanitary Survey Report
Charles J. Hubsch	"	CJH-1	Rule 3 of the Jacksonville Environmental Protection Board
Robert J. Crouch	"	RJC-1	Commission Orders Nos. 24733 and PSC-93-1288-FOF-SU
Patricia W. Merchant	"	PWM-1	Commission Order No. 17304 and <u>Meadowbrook Utility Systems Inc. v. Florida Public Service Commission</u> , 518 So. 2d 326 (1st DCA 1987)
Patricia W. Merchant	"	PWM-2	Ortega Utility Company's Tariff Sheet No. 21.0

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

IX. PROPOSED STIPULATIONS

The utility has proposed the following stipulations. Staff has reviewed the stipulations and believes they are acceptable.

1. The 4 inch meter is not adequate for providing the code required fire flows for multi-family projects within Duval County. Therefore, the utility will obtain a meter large enough to allow ample fire flows.

2. Proforma costs for the plant additions at the Airport water treatment plant for compliance with the Lead and Copper Rule should be included in plant in service, pending receipt of contracts and/or bids to ascertain costs.
3. The used and useful percentages for the Airport System with the exception of 450 feet of transmission and distribution lines and 450 feet of gravity collection system is 100%. The Herlong transmission and distribution lines and the collection system are all 100% used and useful in service to the customers. The water distribution system and the wastewater collection system of the Blanding System are 100% used and useful.
4. The following adjustments are necessary to record the retirement of the Herlong water and wastewater treatment plants.

	Acct. No.	Debit	Credit
(1)			
Plant held for Future Use	103-304.2	\$ 5,664	
Utility Plant in Service	101.304.2		\$ 5,664
Accum. Deprec.			
- Plant in Service	108-304	855	
Accum. Deprec.			
- Plant Held for Future Use	108-304		855
Misc. Nonutility Expenses	426	170	
Depreciation - Water	403		170
To reclassify water plant held for future use.		<u>\$ 6,689</u>	<u>\$ 6,689</u>
(2)			
Accumulated Depreciation	108	\$ 17,582	
Utility Plant in Service	101-380.4		\$ 17,582
Accumulated Amort. of CIAC	272		20,388
CIAC - Wastewater	271	20,388	
Accumulated Depreciation	108-380	2,298	
Accumulated Amort. of CIAC	272		2,193
Retained Earnings	215		60
Depreciation - Wastewater	403		45
To record retirement of Herlong Wastewater Plant		<u>\$ 52,776</u>	<u>\$52,776</u>

(3)

Unamortized Property			
Losses	182	\$ 12,165	
Amortization of			
Property Losses	407-2	3,842	
Accumulated Depreciation	108	15,769	
CIAC - Water	271	15,877	
Utility Plant in Service	101-304.2		\$13,235
Utility Plant in Service	101-311.2		9,753
Utility Plant in Service	101-320.3		5,651
Utility Plant in Service	101-330.4		13,330
Accumulated Amort. of CIAC	272		8,672
Retained Earnings (Deprec.)	215		1,220
Retained Earnings (Amort.)	215	5,123	
Depreciation - Water	403		915
To record retirement of Herlong Water Plant		<u>\$ 52,776</u>	<u>\$52,776</u>

5. Working capital shall be calculated using the formula method.
6. The cost of equity shall be established using the current leverage graph at the time the Commission made its decision in this case.
7. Ortega shall flow back, through cost of service, the benefit of tax depreciation taken on contributed assets. The adjustment shall be identifiable on the utility's balance sheet and income statement.
8. The utility's base facility and gallonage charge rate structure is conservation oriented.
9. Wastewater miscellaneous expenses should be reduced by \$550.
10. The miscellaneous service charges shall be in accordance with second revised Staff Advisory Bulletin No. 13.
11. The appropriate method to reconcile rate base is to make all known and measurable changes to the capital structure, and then make any pro rata adjustments which are necessary.

X. PENDING MOTIONS

There are no pending motions at this time.

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XI. RULINGS

Ortega will be allowed to make a ten minute opening statement regarding its views on Section 367.081, Florida Statutes.

It is therefore,

ORDERED by Commissioner Julia L. Johnson, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Julia L. Johnson, as Prehearing Officer, this 14th day of July, 1995.



JULIA L. JOHNSON, Commissioner and
Prehearing Officer

(S E A L)

MSN

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric,

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gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.