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ORIGINAL FILE COPY

March 25, 1996

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

Re: Case No. 950387-SU

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of Citizens' Prehearing Statement. A diskette in the IBM-compatible WordPerfect 5.1 is also submitted.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

- ACK ✓
- AFA 2
- APP. _____
- CAF _____
- CMU _____
- CTR _____ HM:bsr
- EAG _____ Enclosures
- LEG 1
- LIN 5
- DPC _____
- RCH _____
- SEC 1
- WAS 1
- OTH _____

Sincerely,

Harold McLean
Associate Public Counsel

RECEIVED & FILED
MAR 25 1996
JACK SHREVE

DOCUMENT NUMBER-DATE
03524 MAR 25 96
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Florida
Cities Water Company, North Ft.
Myers Division, for an increase in
wastewater rates in Lee County,
Florida

)
) Docket No. 950387-SU
)
) Filed: March 25, 1996
)
)

CITIZENS' PREHEARING STATEMENT

The Citizens of the State of Florida, by and through their undersigned attorney, file this Prehearing Statement and state:

1. All Known Expert Witnesses:

Kimberly H. Dismukes
5688 Forsythia Avenue
Baton Rouge, Louisiana 70808

2. All Known Exhibits:

One Exhibit (KHD-1) with 16 schedules attached to the prefiled direct testimony of Kimberly H. Dismukes

3. Basic Position:

The rates proposed by Florida Cities Water Company, North Ft. Myers Division, are excessive. Florida Cities Water Company, North Ft. Myers Division, has overstated its rate base, projected operating and maintenance expenses, and cost of capital. Florida Cities Water Company has failed to demonstrate that costs charged or allocated to it by its affiliates are reasonable. Florida Cities Water Company, North Ft. Myers Division, has overstated its rate base by including more working capital than required, and by overstating the used and useful percentage of its wastewater treatment plant.

4. Issues and Positions:

Used and Useful

Issue 1: What is the peak month capacity of the wastewater plant?

Citizens' Position: The peak month capacity of the plant appears to be 1.50 MGD. (K. Dismukes, Schedule 11)

Issue 2: What is the average annual daily flow capacity of the wastewater plant?

Citizens' Position: No position, pending further development of the record.

Issue 3: What capacity of the wastewater plant and what flows should be used to calculate used and useful?

Citizens' Position: If the Commission uses the peak month flow to calculate used and useful, then the peak month capacity of the plant should likewise be used. However, if the Commission uses the average annual daily flow capacity to calculate used and useful, then the average annual daily flow of the system should be used.

Issue 4: Is the wastewater plant 100% used and useful?

Citizens' Position: No. The wastewater plant is 49.34% used and useful. (K. Dismukes, Schedule 11)

Issue 5: Does the wastewater collection system have excessive infiltration and inflow that should be removed from the peak month flow, when calculating used and useful?

Citizens' Position: Yes. Excessive inflow and infiltration for the peak month was at least 13,408,794. (K. Dismukes, Schedule 13)

Revenue

Issue 6: What rate should be used to calculate reuse revenue?

Citizens' Position: A rate of \$.21 should be used. (K. Dismukes, Schedule 6)

Expense

Issue 7: Should the Commission accept the adjustments proposed by the Company for customer growth and the PSC Index?

Citizens' Position: No. The Commission should not automatically assume that expenses will increase by this factor. The Commission should reduce the Company's proposed adjustments as reflected on the Citizens' witness Dismukes Schedule 7. (K. Dismukes, Schedule 7)

Issue 8: Should utility gains on sales of land be included above the line for ratemaking purposes?

Citizens' Position: Yes, to the extent that ratepayers bore the risk of the investment.

Issue 9: Should the Commission accept the Company's adjustment to increase expenses for increased postage costs?

Citizens' Position: No. (K. Dismukes, Schedule 7)

Issue 10: Should any adjustment be made to affiliate expenses charged to the Company?

Citizens' Position: Yes. The Commission should reduce test year expenses by \$36,795. (K. Dismukes, Schedule 8)

Issue 11: Should the Commission accept the Company's requested rate case expense?

Citizens' Position: No. Test year expenses should be reduced by \$3,487. (K. Dismukes, Schedule 9)

Rate Base

Issue 12: What is the appropriate working capital requirement?

Citizens' Position: The appropriate working capital requirement for is \$48,138. (K. Dismukes, Schedule 10)

Issue 13: Should the Commission reduce rate base for unfunded post retirement benefits?

Citizens' Position: Yes. Rate base should be reduced by \$81,855. (K. Dismukes, Schedule 1)

Issue 14: Should the Commission reduce rate base for any non-used and useful plant?

Citizens' Position: Yes. The wastewater rate base should be reduced by \$3,668,429 for non-used and useful plant and depreciation expense should be reduced by \$232,848. (K. Dismukes, Schedules 2, 14, 15, and 16.)

Issue 15: Should an adjustment be made to the wastewater rate base to remove capitalized legal fees?

Citizens' Position: Yes. The costs should be removed and booked below the line. (K. Dismukes, Schedule 1)

Issue 16: Should the Commission allow a margin reserve?

Citizens' Position: No. Margin reserve is for the benefit of future customers; it does not benefit current customers. (Dismukes, Testimony)

Issue 17: If the Commission does allow a margin reserve, should it impute CIAC associated with the margin reserve?

Citizens' Position: Yes. (Dismukes, Testimony)

Cost of Capital

Issue 18: Should any adjustments be made to the debt component of the Company's capital structure?

Citizens' Position: Yes. The adjustments reflected on K. Dimsukes Schedules 4 and 6 should be made. These adjustments reduce the embedded cost of debt to 8.34% and increase the debt ratio to 48.41%. (K. Dismukes, Schedules 4 and 5)

Issue 19: Should any adjustments be made to the cost of investment tax credits?

Citizens' Position: Yes. The cost of investment tax credits should be calculated using the cost of investor supplied fund only. (K. Dismukes, Schedule 5)

Issue 20: What is the appropriate overall cost of capital?

Citizens' Position: The appropriate overall cost of capital is 8.64%. (K. Dismukes, Schedule 5)

Other

Issue 21: Do the Company's minimum filing requirements comply with the Commission's rules concerning information that should be supplied concerning affiliates?

Citizens' Position: No. (K. Dismukes, Testimony)

5. Proposed Stipulations: Citizens are aware of no proposed or pending stipulations.

6. Pending Motions: Citizens are aware of no pending motions.

Respectfully submitted,



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Attorney for the Citizens
of the State of Florida

**CERTIFICATE OF SERVICE
DOCKET NO. 950387-SU**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail or by *Hand-delivery to the following party representatives on this 25th day of March, 1996:

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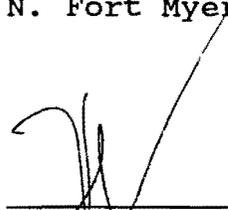
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