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STATE OF FLORIDA  
OFFICE OF THE PUBLIC COUNSEL

c/o The Florida Legislature  
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May 30, 1997

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

Re: Docket No. ~~960235~~-WS & 960283-WS

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of Citizens' Prehearing Statement. A diskette in WordPerfect 6.1 is also submitted.

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

Sincerely,

Charles J. Beck  
Deputy Public Counsel

- ACK
- AFA 1
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_ CJB:bsr
- LEG 2 Enclosures
- LIN 3
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05462 MAY 30 97  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Transfer  
of Certificate Nos. 404-W and  
341-S in Orange County From Econ  
Utilities Corporation to  
Wedgfield Utilities, Inc. )  
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Docket No. 960235-WS  
Filed: May 30, 1997

In Re: Application for  
Amendment of Certificates Nos.  
404-W and 341-S in Orange County  
by Wedgfield Utilities, Inc. )  
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)

Docket No. 960283-WS  
Filed: May 30, 1997

CITIZENS' PREHEARING STATEMENT

The Citizens of Florida "Citizens", by and through Jack Shreve, Public Counsel,  
file this Prehearing Statement.

Witnesses

The Citizens filed direct testimony by Thomas C. DeWard. Mr. DeWard's  
testimony explains why the Commission should use the actual purchase price paid by  
Wedgfield Utilities, Inc., as the rate base for the assets it purchased from Econ  
Utilities Corporation.

The Citizens also reserve the right to subpoena witnesses to appear at the  
hearing.

### Exhibits

Appendix 1 attached to Mr. DeWard's prefiled testimony contains his qualifications and experience. Exhibit TCD-1 attached to Mr. DeWard's prefiled testimony contains two schedules: the first contains a hypothetical example of the windfall to the company caused by excessive rates if a negative acquisition adjustment is not adopted, and the second provides a theoretical example of the yield from the purchase of a 6% APY one year certificate of deposit with a face value of \$2,800,000 dollars for \$545,000.

### Statement of Basic Position

The Commission should use the actual amount paid by Wedgefield Utilities, Inc., as the utility's rate base.

The predecessor company providing service (Econ Utilities Corporation) had no regular preventive maintenance program in effect and conducted repairs and maintenance only on an emergency basis. The lack of maintenance is reflected in the condition of the assets purchased by Wedgefield Utilities, Inc. For example, there are significant infiltration problems with the system, and there is severe corrosion at the wastewater treatment facility. The purchase price paid by Wedgefield Utilities, Inc., for the assets of Econ Utilities Corporation reflects the lack of maintenance conducted on



the system.

Customers will be saddled with additional capital costs and maintenance costs in the future to make up for the years of neglect by the predecessor company. Providing Wedgefield a rate base equal to what it paid for the utility is fair to the company and to customers. Providing Wedgefield a rate base more than five times what it paid for the utility is unfair to customers and provides an unearned windfall to Wedgefield.

### Issues

**Citizens' Issue 1:** What was the net book value of the assets carried on the books of Econ Utilities Corporation, the company previously providing water and wastewater service?

**Position:** The net book value carried on the books of Econ Utilities Corporation as of December 31, 1995, was \$2,845,395.

**Citizens' Issue 2:** What was the amount paid by Wedgefield Utilities, Inc., for the assets of Econ Utilities Corporation?

**Position:** Wedgefield Utilities, Inc., paid cash of \$545,000. In addition, it agreed to make contingent payments equal to every other service availability charge in

the area known as The Commons if and when it is developed.

**Citizens' Issue 3:** What was the condition of the assets sold to Wedgefield Utilities, Inc.?

**Position:** The poor condition of the assets reflects the lack of a preventative maintenance program. For example, significant infiltration problems exist with the system, and there is severe corrosion at the wastewater treatment facility.

**Citizens' Issue 4:** Was Econ Utilities Corporation a "troubled" utility?

**Position:** The company was not a "troubled" utility. The company met standards by providing maintenance on an emergency basis.

**Citizens' Issue 5:** Should Wedgefield Utilities, Inc., carry the burden of justifying why the actual purchase price should not be utilized to establish its rate base?

**Position:** Yes, the company should have the burden of justifying why its actual purchase price should not be utilized to establish its rate base.

**Citizens' Issue 6:** What is the amount negative acquisition adjustment from the sale of assets to Wedgefield Utilities, Inc.?

**Position:** The negative acquisition adjustment is \$2,300,391, calculated by subtracting the actual cash purchase price of \$545,000 from the net book value of \$2,845,391 carried on the books by Econ Utilities Corporation.

**Citizens' Issue 7:** How should the Commission treat the contingent portion of the purchase price in computing the negative acquisition adjustment?

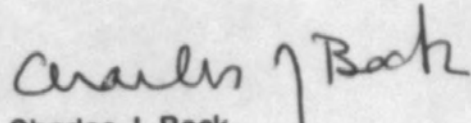
**Position:** The contingent portion of the purchase price should be recognized only if and when actual payments are made. In addition, the decision whether to recognize any of the contingent payments should be reviewed after the utility begins serving the area known as The Commons. If provision of service to this area increases the cost to provide water or wastewater service to existing customers, the contingent payments should not be recognized in rate base.

Other Matters

The Citizens have no pending motions, and no issues have been stipulated at this time.

Respectfully submitted,

JACK SHREVE  
PUBLIC COUNSEL

  
Charles J. Beck  
Deputy Public Counsel

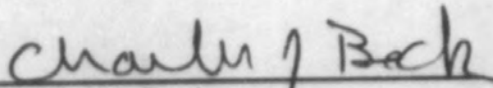
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Tallahassee, FL 32399-1400

Attorney for the Citizens  
Of the State of Florida



**CERTIFICATE OF SERVICE  
DOCKET NOS. 960235-WS and 960283-WS**

I HEREBY CERTIFY that a copy of the foregoing has been furnished by  
U.S. Mail or hand-delivery to the following parties on this 30th day of May, 1997.

  
Charles J. Beck

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200 Weathersfield Avenue  
Altamonte Springs, FL 32714-4099

Econ Utilities Corporation  
664 South Military Trail  
Deerfield Beach, FL  
33442-3023

Utilities, Inc. Of Florida  
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Altamonte Springs, FL  
32714-4099