

ORIGINAL
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MEMORANDUM

September 15, 1997

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (VACCARO) *JV*
RE: DOCKET NO. 960444-WU

Attached is a PREHEARING STATEMENT, to be filed in the above-referenced docket.

Please note that this PREHEARING STATEMENT must be filed today.

(Number of pages in order - 8)

TV/der

Attachment

cc: Division of Water and Wastewater (Willis, Austin, Crouch, Lingo, Merchant, Munroe, Rendell, Zhang)

I:960444ps.tv

- ACK _____
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DOCUMENT NUMBER-DATE
09368 SEP 15 97
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate increase and for increase in service availability charges in Lake County by Lake Utility Services, Inc.

DOCKET NO. 960444-WU

FILED:

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-97-0710-PCO-WU, issued June 16, 1997, the Commission Staff (Staff) files its prehearing statement as follows:

A. Witnesses

Staff intends to call the following witnesses:

Timothy G. Banks of the Department of Environmental Protection (DEP). He will testify regarding the ethylene dibromide (EDB) problem in the South Clermont area and DEP's subsidy program, utilized by Lake Utility Services, Inc. to remedy the problem.

Ian J. Forbes of the Florida Public Service Commission Division of Auditing and Financial Analysis. He will testify as to the staff audit report.

Charleston J. Winston of the Florida Public Service Commission Division of Auditing and Financial Analysis. He will testify as to the staff audit report.

Elbert E. Phillips of the Florida Public Service Commission Division of Auditing and Financial Analysis. He will testify as to the staff audit report.

Lee R. Munroe of the Florida Public Service Commission. He will testify as to the methods and procedures used by staff to calculate used and useful percentages, excess unaccounted for water, margin reserve and fireflow.

Patricia W. Merchant of the Florida Public Service Commission. She will testify as to the balance of plant, accumulated depreciation, and depreciation expense that should be established for Lake Utility Services, Inc. She will also testify as to the appropriate amount of rate case expense to be recovered by Lake Utility Services, Inc.

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B. Exhibits

Staff intends to sponsor the following exhibits:

TGB-1: DEP purchase order sheet

IJF-1: The administrative portion of and Audit Exceptions 2, 3, and 4 of the staff audit report

CJW-1: Audit Exceptions 1, 10, 11 and 12 of the staff audit report

EEP-1: Audit Exceptions 5, 6, 7, 8 and 9 of the staff audit report

PWM-1: Staff's adjusted balances of Lake Utility Services, Inc.'s plant in service for 1994 and 1995

PWM-2: Staff's adjusted balances of Lake Utility Services, Inc.'s accumulated depreciation and depreciation expense for 1994 and 1995

C. Basic Position

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.

D. Staff's Issues and Positions

The following are issues identified by staff and its positions on these issues. Non-testifying staff's positions are preliminary, are based upon materials filed by the utility or obtained through discovery and are intended to inform the parties of staff's preliminary positions. Staff's final positions will be based upon an analysis of the evidence presented at the hearing.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service provided by Lake Utility Services, Inc. (LUSI) satisfactory?

POSITION: The quality of service is marginal at best.

RATE BASE

ISSUE 2: What are the appropriate balances of utility plant in service for both 1994 and 1995, and on a simple average basis?

POSITION: The appropriate balances of utility plant in service for both 1994 and 1995, are \$1,826,194 and \$1,924,879, respectively, which result in a simple average balance of \$1,875,536. (Merchant)

ISSUE 3: What is the appropriate margin reserve for plant and the distribution system?

POSITION: The appropriate margin reserves are 70,264 gallons per day (GPD) for plant and 101 lots for the distribution system. (Plants/Distribution Systems: Clermont II- 0 GPD/ 0 lots; Clermont I, Amber Hill & Lake Ridge- 7,897 GPD/5 lots, Oranges & Vistas- 9,504 GPD/8 lots; Highland Point, Crescent Bay, Crescent West & Lake Crescent Hills- 44,608 GPD/69 lots; Lake Saunders- 1,305 GPD/5 lots and Four Lakes- 6,950 GPD/ 14 lots). (Munroe)

ISSUE 4: What is the amount of excessive unaccounted for water, and what adjustments are necessary?

POSITION: The amount of excessive unaccounted for water is 23,378 GPD, and the resulting adjustments should be \$2,578 to purchased power cost and \$461 to chemical cost. (Munroe)

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ISSUE 5: What are the appropriate used and useful percentages for this proceeding?

POSITION: The water plants/distribution systems used and useful percentages are: Clermont II- 100%/57.85%; Clermont I, Amber Hill & Lake Ridge Club- 67.83%/72.73%; Oranges & Vistas- 37.97%/37.16%; Highland Point, Crescent Bay, Crescent West & Lake Crescent Hills- 54.76%/40.53%; Lake Saunders- 41.03%/91.30% and Four Lakes- 36.48%/85.53%. The distribution storage is 100% for all systems. (Munroe)

ISSUE 6: What are the appropriate amounts of test year contributions in aid of construction (CIAC)?

POSITION: The appropriate balances of CIAC for 1994 and 1995 are \$804,250 and \$1,198,128, respectively. The appropriate amount of CIAC based on a simple average is \$1,001,189. This does not include the amount of CIAC imputed for the margin reserve.

ISSUE 7: What is the appropriate amount of CIAC to impute for the margin reserve?

POSITION: The appropriate amount of CIAC to impute for the margin reserve is \$21,577.

ISSUE 8: What are the appropriate amounts for average accumulated depreciation, and accumulated amortization of CIAC?

POSITION: The accumulated depreciation balances for 1994 and 1995 are \$174,298 and \$219,782, respectively, which result in a simple average balance of \$197,040. The accumulated amortization of CIAC balances for 1994 and 1995 are \$98,486 and \$126,825, respectively, which result in a simple average balance of \$112,655. (Merchant)

ISSUE 9: What is the appropriate amount of rate base?

POSITION: The appropriate rate base on a simple average basis for the utility's water operation should be \$403,442. The final amount, however, is subject to the resolution of other issues.

NET OPERATING INCOME

ISSUE 10: What is the appropriate amount of test year depreciation expense and amortization of CIAC?

POSITION: The test year depreciation expense is \$52,782. The test year CIAC amortization expense is \$27,032. (Merchant)

ISSUE 11: What is the appropriate amount of rate case expense?

POSITION: The utility should be allowed to recover \$57,351, which is the amount of rate case expense approved by the Commission in Proposed Agency Action Order No. PSC-97-0531-FOF-WU. (Merchant)

ISSUE 12: What is the test year net operating income for water before any revenue increase?

POSITION: The test year net operating income for water before any revenue increase should be (\$9,828). The final amount, however, is subject to the resolution of other issues.

REVENUE REQUIREMENT

ISSUE 13: What is the appropriate water revenue requirement?

POSITION: The appropriate water revenue requirement should be \$343,356. The final amount, however, is subject to the resolution of other issues.

RATES AND RATE STRUCTURE

ISSUE 14: What are the appropriate water rates?

POSITION: The appropriate water rates are dependent upon the resolution of other issues and the billing determinants in Order No. PSC-97-0531-FOF-WU, which were not protested.

ISSUE 15: 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 appropriate amount is dependent upon the resolution of other issues.

ISSUE 16: 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 appropriate amount is dependent upon the resolution of other issues.

ISSUE 17: What are the appropriate service availability charges for LUSI?

POSITION: The appropriate service availability charges are as follow:

Plant Capacity Charge (Residential - per ERC (2100 gpd)- \$600
Main Extension Charge (Residential - per ERC (2100 gpd)- \$600
Meter Installation Charge:
 5/8" X 3/4" - \$100.00
 1" - \$250.00
 1½" - \$450.00
 2" - \$650.00
 All Others - Actual Cost

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E. Stipulated Issues

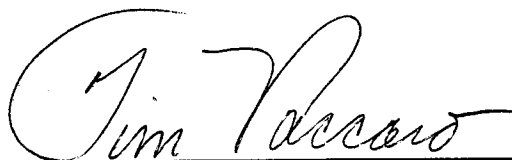
There are no issues that have been stipulated at this time.

F. Pending Matters

There are no matters pending at this time.

G. Requirements That Cannot Be Complied With

There are no requirements of Order No. PSC-97-0710-PCO-WU that cannot be complied with at this time.



Tim Vaccaro, Senior Attorney

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the COMMISSION STAFF'S PREHEARING STATEMENT has been furnished by U.S. Mail, this 15th day of September, 1997, to the following:

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