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April 11, 2001

VIA FEDERAL EXPRESS

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

RE: Emergency Petition by D. R. Horton Custom Homes, Inc. to Eliminate Authority of Southlake Utilities, Inc. ("Southlake"), to Collect Service Availability Charges and AFPI Charges in Lake County, Docket No. [REDACTED] WS ("Petition")

Complaint by D.R. Horton Custom Homes, Inc., against Southlake Utilities, Inc., before the Florida Public Service Commission, Docket No.980992-WS ("Complaint")

Dear Ms. Bayo:

In connection with the above-referenced matters, please find enclosed an original and fifteen copies of the Prehearing Statement filed on behalf of Southlake Utilities, Inc. Also enclosed is a diskette containing a copy of the Prehearing Statement.

Please file and distribute the enclosures in accordance with your usual procedures.

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

Sincerely yours,

Scott G. Schildberg
Scott G. Schildberg

- APP _____
 - CAF _____
 - CMP _____
 - COM 3
 - CTR _____
 - ECR _____
 - LEG 1 Enclosures
 - OPC _____
 - PAI _____
 - RGD _____
 - SEC 1
 - SER _____
 - OTH 1 each & kb
- cc: Robert L. Chapman, III
William J. Deas
Samantha Cibula
E. Marshall Deterding

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Emergency Petition by) DOCKET NO. 981609-WS
D.R. Horton Custom Homes, Inc.)
to eliminate authority of)
Southlake Utilities, Inc. to)
collect service availability)
charges and AFPI charges in Lake)
County)

In re: Complaint by D.R. Horton)
Custom Homes, Inc. against) DOCKET NO. 980992-WS
Southlake Utilities, Inc. In)
Lake County regarding collection) DATE SUBMITTED FOR FILING
of certain AFPI charges.) April 11, 2001

PREHEARING STATEMENT OF
SOUTHLAKE UTILITIES, INC.

Southlake Utilities, Inc. ("Southlake" or "Utility") pursuant to Florida Public Service Commission ("Commission") Order No. PSC-00-1461-PCO-WS, as amended by Order Nos. PSC-00-1817-PCO-WS and PSC-00-2267-PCO-WS, by and through its undersigned attorneys, hereby files its prehearing statement in this proceeding.

A. WITNESSES

Direct Testimony Witnesses:

- 1. Robert L. Chapman, III
Southlake Utilities, Inc.
2525 Lanier Place
Durham, NC 27705

Subject Matter:

Mr. Chapman testifies as to the following: (1) the service area of Southlake; (2) development in the service area; (3) the history of the alternative plans for the provision of water and wastewater service for the area and the history of Southlake's plant sites; (4) the payment for the office copier; (5) that Southlake's tariff sheets authorize the reassessment of increased capacity charges for increased consumption; (6)

the type of commercial activity in the Clear Creek Subdivision; (7) Southlake's collection and accounting for Allowance for Funds Prudently Invested ("AFPI") charges; and (8) Southlake's efforts to obtain financing for the security for the potential refund.

2. Patrick L. Phillips
1101 Connecticut Avenue, N. W.
Suite 750
Washington, DC 20036

Subject Matter:

Mr. Phillips testifies as to the appropriate growth rates and growth in units for Southlake's service area, including the growth projection report prepared by Economics Research Association ("ERA"), ("ERA Growth Report").

3. Robert E. Irwin
1110 South Orange Avenue, Suite A
Orlando, FL 32806
Subject Matter:

Mr. Irwin testifies as to the valuation of the utility treatment plant sites, including his appraisal of the treatment plant sites.

4. John F. Guastella
Guastella Associates, Inc.
100 Boylston Street, Suite 800
Boston, MA 02116

Subject Matter:

Mr. Guastella testifies on a variety of subjects, including the following subjects: (1) when the land for the treatment plant sites was first devoted to public use; (2) the valuation of the plant sites and the inclusion of the property in rate base; (3) the capacities of Southlake's existing treatment plants; (4) the number of customers in Southlake's service area; (5) the amounts of water consumption and wastewater treatment; (6) the plant expansions needed by Southlake and their related costs; (7) corrections to Southlake's CIAC account balances; (8) the time period over which to analyze Southlake's service availability charges; (9) results and contents of the Connection Fees Analysis Report ("JFG Report"), including the appropriate plant capacity charges; (10) whether there should be refunds of AFPI charges,

including an analysis of costs absorbed by affiliated developers/shareholders and subsidization of third party developers; and (11) whether Southlake should be fined regarding the collection of AFPI charges over 375 wastewater ERCs or its inability to provide security.

5. Gary C. White
3 Sleepy Hollow Drive
Clifton Park, NY 12065

Subject Matter:

Mr. White testifies to the following: (1) the procedures involved in preparing the JFG Report; (2) an explanation of the Schedules in the JFG Report; (3) the need to recalculate AFPI charges; (4) the use of growth projections and the conversion of units to ERCs; (5) the cost components of Southlake's land account; (6) adjustments to and reconciliations with Southlake's plant and CIAC accounts; (7) the net investment in water and wastewater plant; (8) the appropriate plant capacity charges; (9) the amount of plant capacity charges to be refunded; and (10) the maximum amount of AFPI subject to refund.

Rebuttal Testimony Witnesses:

6. Robert L. Chapman, III
Southlake Utilities, Inc.
2525 Lanier Place
Durham, NC 27705

Subject Matter:

Mr. Chapman testifies as to the following : (i) the date when the treatment plant sites were first devoted to public service and the timing of their valuation; (2) the use of assessed value to value the treatment plant sites; (3) the timing of the partial recovery by Southlake of its expenses, including operating lease payments; (4) the reasons why the treatment plant sites were leased rather than purchased; (5) the reasons why Southlake wanted a bargain purchase option in its lease; (6) the appropriate entities from whom to seek reassessed plant capacity charges; (7) Southlake's actions for reassessment have not been discriminatory in nature; and (8) that requiring refunds through the reassessment mechanism is not appropriate.

7. Patrick L. Phillips
1101 Connecticut Avenue, N. W.
Suite 750
Washington, DC 20036

Subject Matter:

Mr. Phillips testifies as to the following: (1) ERA's use of building permit information for the period 1995 through May 2000; (2) D. R. Horton Custom Homes, Inc.'s ("Horton") erroneous comparison of the number of permits with the number of units permitted in its analysis; (3) that including Raintree Apartments as growth in 2001 instead of 2000 will increase the overall growth rate; and (4) that developer projections should be used in analyzing the growth rate in Southlake's service area.

8. Robert E. Irwin
1110 South Orange Avenue, Suite A
Orlando, FL 32806

Subject Matter:

Mr. Irwin testifies as to the following: (1) the valuation of the treatment plant sites; (2) the non relevance of the cost of the land to the seller in determining the value of the treatment plant sites; and (3) the inappropriateness of using assessed value to determine the value of the treatment plant sites.

9. John F. Gustella
Gustella Associates, Inc.
100 Boylston Street, Suite 800
Boston, MA 02116

Subject Matter:

Mr. Guastella testifies as to the following: (1) the character of Mr. Boyd's testimony; (2) the correct limiting factor in the water system and the calculation of the water system's capacity; (3) that the facilities recommended by Southlake's engineers as to capacity and cost are needed to achieve the necessary capacity and meet peak hour and fire demand; (4) the differences in the timing of construction phases as set forth in the engineering report and the JFG Report; (5) the time when the treatment plant sites were first devoted to public service; (6) the need to design wastewater capacity with a projected demand of 300 GPD per ERC; (7) Southlake's plans regarding the provision of reclaimed water; (8) Mr. Boyd's

attempts to shift risk and costs from Horton on to Southlake and Southlake's customers; (9) growth in Southlake's service area, including the timing of the connection of Raintree Apartments, and that a lower number for growth was used in the JFG Report; (10) valuation of the treatment plant sites; (11) proposed revisions to the reassessment provisions in Southlake's tariff; and (12) the inappropriateness to provide for refunds of capacity charges through reassessment.

B. EXHIBITS

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
RLC-1	R. Chapman	Resume of R. L. Chapman, III
RLC-2	R. Chapman	Map - Service Area
RLC-3	R. Chapman	Aerial Photo - 2/24/90
RLC-4	R. Chapman	Aerial Photo - 3/19/96
RLC-5	R. Chapman	Aerial Photo - 1/14/00
RLC-6	R. Chapman	Service Area Growth Report - July 2000
RLC-7	R. Chapman	October 31, 1999 Newspaper Article
RLC-8	R. Chapman	Excerpt from Technical Staff Report
RLC-9	R. Chapman	DEP Table of Developments
RLC-10	R. Chapman	Letter from Polk County Utilities
RLC-11	R. Chapman	Letter from Jackie Gilchrist
RLC-12	R. Chapman	July 27, 1991 Draft of Utility Agreement
RLC-13	R. Chapman	May 1991 Letter to Lake County
RLC-14	R. Chapman	Third Amendment to Lease
RLC-15	R. Chapman	Water Tariff Sheet No. 31.0
RLC-16	R. Chapman	Wastewater Tariff Sheet No. 28.0

RLC-17	R. Chapman	Water Tariff Sheet No. 39.0
RLC-18	R. Chapman	Wastewater Tariff Sheet No. 36.0
RLC-19	R. Chapman	Letter from Billie Messer
RLC-20	R. Chapman	Response to Document Request No. MC-10
RLC-21	R. Chapman	DEP Monthly Operating Report April 2000
RLC-22	R. Chapman	Chronology of Efforts for Financing
PLP-1	P. Phillips	Resume of P. Phillips
PLP-2	P. Phillips	Growth Projection Report
REI-1	R. Irwin	Resume of R. Irwin
REI-2	R. Irwin	Appraisal of 12.52 Acres
REI-3	R. Irwin	Comparison of Assessed Value and Sales Price
JFG-1	J. Guastella	Resume of J. Guastella
JFG-2	J. Guastella	Connection Charge Analysis
JFG-3	J. Guastella	FDEP Water Permit - 0.537 MGD
JFG-4	J. Guastella	FDEP Water Permit - 1.075 MGD
JFG-5	J. Guastella	FDEP Wastewater Permit - 0.300 MGD to 0.550 MGD
JFG-6	J. Guastella	FDEP Clarification Letter
JFG-7	J. Guastella	CPH Report
JFG-8	J. Guastella	Wilson Report
JFG-9	J. Guastella	Subsidization Report
JFG-10	J. Guastella	Rated Capacities of the Wells
JFG-11	J. Guastella	Summary of Source of Supply

JFG-12	J. Guastella	Chart of Connections and Units - Year End
GCW-1	G. White	Resume of G. White
GCW-2	G. White	Cost Components of Land Account
GCW-3	G. White	Breakdown of Overhead Capitalized Land Costs
GCW-4	G. White	Net Investment - Water Plant - 12/31/98
GCW-5	G. White	Net Investment - Wastewater Plant 12/31/98

C. STATEMENT OF BASIC POSITION

Southlake is a small class C utility company serving customers in the southeast corner of Lake County, Florida. Southlake's service area is an area of rapid growth which has required and will continue to require Southlake to expand its treatment plant capacity. D.R. Horton Custom Homes, Inc. ("Horton"), a developer in Southlake's service area, has filed a complaint and a petition against Southlake which resulted in the Commission investigating Southlake's service availability charges, including its Allowance for Funds Prudently Invested ("AFPI") charges. The Commission agreed that Southlake had correctly applied the Commission's directives in collecting true up charges for the AFPI charges, but found against Southlake on several other issues. Southlake protested and sought this hearing in order to provide the Commission with the necessary evidence in order to be able to make an appropriate decision on Southlake's service availability charges, including AFPI charges, and collections.

Southlake has provided information as to the level of plant-in-service, including an MAI appraisal of the land at the time it was first devoted to public service. Southlake had an exhaustive audit and analysis performed of its service availability charges, including the collections for AFPI charges and plant capacity charges, the timing of connections, and the level of CIAC. Southlake has provided expert testimony as to the rapid growth rate for the Southlake service area, which has been supported by the number of actual connections and building permits for 2000. In order to satisfy the resulting demand for service, Southlake will need to greatly expand its existing plant capacities. Southlake has planned for such expansions and the water treatment plant has already doubled in capacity from 537,500 GPD to 1,075,000 GPD. Southlake has provided engineering reports for such facilities and their respective costs.

Southlake had its expert consultants incorporate such information and perform an analysis of its service availability charges. The analysis employed a period of time sufficient to develop appropriate plant capacity charges. The analysis demonstrates that rather than being eliminated or reduced, Southlake's plant capacity charges should be increased to \$454.00 per water ERC and \$1,023.00 per wastewater ERC to reach seventy-five percent CIAC at build-out in accordance with Commission guidelines.

With respect to the issues relating to AFPI charges, Southlake has collected AFPI charges in accordance with its tariff and consistent with the reason for AFPI - the recovery of costs related to nonused and useful plant. Furthermore, there should be no refunds of AFPI charges. Southlake and its shareholders have already substantially subsidized the third party developers and a refund will provide an unjustified windfall to such developers.

Southlake has provided the Commission with sufficient competent evidence to support Southlake's positions on service availability charges and that refunds of AFPI charges and plant capacity charges should not be required.

D. STATEMENT OF ISSUES AND POSITIONS - QUESTIONS OF FACT

1. Issue: Should Southlake's water or wastewater plant balances, related to the office copier, be reduced by \$1,500?

Position: No. Neither Southlake's water plant balance nor its wastewater plant balance, related to the office copier, should be reduced by \$1,500.00. However, the JFG Report has already removed the \$3,000.00 from plant-in-service in its analysis and totals.

Witnesses: R. Chapman, G. White

2. Issue: When was the 12.53 acres of land first dedicated to public use?

Position: The 12.53 acres of land was first dedicated to public use in 1993.

Witnesses: R. Chapman, J. Guastella

3. Issue: What are Southlake's water and wastewater land balances, and was the cost charged by Southlake for such land prudent?

Position: Southlake's water and wastewater land balances are \$156,108 and \$507,861, respectively, as of December 31, 1998, and the costs charged by Southlake were prudent.

Witnesses: R. Chapman, R. Irwin, G. White

4. Issue: What is Southlake's net book value?

Position: Southlake's net book value as of December 31, 1998 was \$160,256.00 for water and \$859,348.00 for wastewater. The net book value changes over the years and is shown on Exhibit JFG-2, Schedule C, page 51, "Net Investment" line for water and Exhibit JFG-2, Schedule D, page 55, "Net Investment" line for wastewater.

Witness: G. White

5. Issue: Does Southlake's tariff authorize a reassessment of plant capacity charges for changed consumption for residential customers at any time after connection to the system?

Position: Southlake's tariff sheets authorize reassessment and do not distinguish between commercial and residential development. Southlake believes that additional charges from reassessment for residential development should be paid by the developer.

Witnesses: R. Chapman, J. Guastella

6. Issue: Should Southlake's Water Tariff Sheet No. 31.0 and Wastewater Tariff Sheet No. 28.0 be revised?

Position: No. However, if the reassessment provision is revised, it should not require refunds and it should include short-term rentals as property subject to reassessment.

Witnesses: R. Chapman, J. Guastella

7. Issue: What growth figure should be used to calculate the plant capacity charges?

Position: Southlake's service area is expected to add 936 new units per year. The growth figure to be used to calculate the plant capacity charges are the growth figures shown on the ERA Growth Study as adjusted and incorporated into the JFG Report on Schedules C.1 and D.1 (Exhibit JFG-2, pp. 52 and 56)

Witnesses: P. Phillips, J. Guastella, G. White

8. Issue: What are the capacities of Southlake's existing water and wastewater plants, and how many ERC's will the existing plants serve?

Position: The capacity of Southlake's existing water treatment plant is 1,075,200 gallons per day, which converts to 1,365 ERCs on a design basis using a maximum day design factor of 787.5 GPD/ERC. The capacity of Southlake's existing wastewater treatment plant is 300,000 gallons per day, which converts to 1,000 ERCs on a design basis using a design factor of 300 GPD/ERC.

Witnesses: J. Guastella, G. White

9. Issue: How much CIAC does Southlake have?

Position: Southlake should have a balance of \$918,244.00 for water CIAC (\$982,389 less \$64,145 amortization) and \$1,202,405.00 for wastewater CIAC (\$1,290,841 less \$88,436 amortization) as of December 31, 1998. The Southlake Community Foundation Refund has now correctly reclassified, from CIAC to equity (paid in capital) in the JFG Report.

Witnesses: J. Guastella, G. White

10. Issue: Would it be appropriate to use meter equivalents to determine the number of customers for Southlake?

Position: No. It would not be appropriate to use meter equivalents for determining customers by units or ERCs because of the significant number of multi-family units that are served with varying meter sites.

Witness: J. Guastella

11. Issue: How many customers are in Southlake's service area?

Position: As of December 31, 2000, Southlake served a total of 2,619 single family, multi-family, and commercial units.

Witness: J. Guastella

12. Issue: What is the correct time period to analyze charges?

Position: The correct time period to use for evaluation of the charges is one in which Southlake is a mature company - not a small startup. It is appropriate to evaluate project costs through the completion of the utility systems. In this case, it is appropriate to evaluate Southlake's charges through 2012.

Witnesses: J. Guastella, G. White

13. Issue: What are the size and number of plant expansions?

Position: As set forth on the JFG Report, Schedule C.2, Exhibit JFG-2, p. 53, there are five phases of plant expansion scheduled for the water system. The existing plant capacity is 1,075,00 gallons per day. The first phase will increase plant capacity to 2,448,000 gallons per day. The second phase will increase plant capacity to 3,456,000 gallons per day. The third phase will increase plant capacity to 5,184,000 gallons per day. The fourth phase will increase plant capacity to 6,912,000 gallons per day. The fifth phase will increase plant capacity to 8,640,000 gallons per day. As set forth in the JFG Report, Schedule D.2, Exhibit JFG-2, p. 57, there are eight phases of plant expansions scheduled for the wastewater system. The first phase will increase plant capacity to 550,000 gallons per day. The second phase will increase plant capacity to 1,000,000 gallons per day. The third phase will increase plant capacity to 1,200,000 gallons per day. The fourth phase will increase plant capacity to 1,500,000 gallons per day. The fifth phase will increase plant capacity to 2,000,000 gallons per day. The sixth phase will increase plant capacity to 2,200,000 gallons per day. The seventh phase will increase plant capacity to 2,700,000 gallons per day. The eighth phase will increase plant capacity to 3,200,000 gallons per day.

Witnesses: J. Guastella, G. White

14. Issue: When will Southlake's water and wastewater plants need to be expanded?

Position: The phases are anticipated to be placed into service as follows:

Phase No.	Water	Wastewater
1	2001	2001
2	2002	2002
3	2005	2003
4	2007	2004
5	2008	2005
6	N/A	2006
7	N/A	2007
8	N/A	2008

The expansions will be needed to be constructed prior to the above dates. See Exhibit JFG-2, pp. 53 and 57.

Witnesses: J. Guastella, G. White

15. Issue: What are the costs of the plant expansions?

Position: The phases are anticipated to cost as follows:

Phase No.	Water	Wastewater
1	\$ 636,000	\$ 659,760
2	3,297,500	2,035,802
3	2,130,500	1,569,370
4	642,500	1,689,691
5	355,000	1,915,045
6	N/A	1,292,372
7	N/A	2,303,527
8	N/A	2,639,580

See Exhibit JFG-2, pp. 53 and 57.

Witnesses: J. Guastella, G. White

16. Issue: What is the amount of residential water consumption?

Position: In 2000, the average consumption was 465 gallons per day per equivalent residential customer and the maximum day demand was 635 GPD/ERC.

Witness: J. Guastella

17. Issue: What is the amount of residential wastewater consumption?

Position: In 2000, the average wastewater treated was 130 gallons per day per equivalent residential customer.

Witness: J. Guastella

18. Issue: What are the appropriate plant capacity charges?

Position: Assuming no refunds of plant capacity charges, the appropriate water plant capacity charge and wastewater plant capacity charge are \$454.00 per ERC and \$1,023.00 per ERC, respectively.

Witnesses: J. Guastella, G. White

19. Issue: Should refunds of the plant capacity charges, including refunds of prepaid CIAC, be required?

Position: No. In fact, the plant capacity charges should be increased as of December 15, 1998, and developers charged the increased amounts for connections occurring since December 15, 1998.

Witnesses: J. Guastella, G. White

20. Issue: Should Southlake's AFPI charges be discontinued?

Position: Southlake has already discontinued collecting water and wastewater AFPI charges.

Witness: R. Chapman

21. Issue: Should refunds of AFPI charges be required?

Position: No. However, if refunds of AFPI charges are required, they should be limited to a maximum of \$403,615.00, and even further limited by the prohibition against retroactive ratemaking.

Witnesses: R. Chapman, J. Guastella, G. White

22. Issue: Did Southlake violate Order No. 96-1082-FOF-WS?

Position: No. Southlake's collection of wastewater AFPI charges was consistent with recovering costs until the level of flows used in the Order was reached. Furthermore, even interpreting that the Order limited Southlake to 375 ERCs, Southlake needed to continue collecting AFPI charges until it collected AFPI charges from the first 375 connections. The collection of wastewater AFPI charges was in accordance with the tariff and consistent with the reasons for AFPI charges - the recovery of costs associated with nonused and useful plant. Moreover, the collection of AFPI charges should not have been limited to 375 ERCs because the capacity of the plant was far greater than the capacity.

Witnesses: R. Chapman, J. Guastella, G. White

23. Issue: If Southlake violated Order PSC-96-1082-FOF-WS, was its violation willful?

Position: No. Southlake did not intend to collect more wastewater AFPI charges that it was authorized to collect or to violate the Order. Southlake believed that it was authorized to collect the wastewater AFPI charges that it, in fact, collected. Such collections were consistent with Southlake's tariffs.

Witnesses: R. Chapman, J. Guastella

24. Issue: Should Southlake be fined \$5,000 for its apparent violation of Order No. PSC-96-1082-FOF-WS?

Position: No. the collection was in accordance with the tariff and consistent with the reasons for AFPI charges - the recovery of costs associated with nonused and useful plant and with Southlake's interpretation of Commission rules. Furthermore, even interpreting that the Order limited Southlake to 375 ERCs, Southlake needed to continue collecting AFPI charges until it collected AFPI charges from the first 375 connections. Moreover, a 375 ERC limitation was an erroneous limitation.

Witnesses: B. Chapman, J. Guastella, G. White

25. Issue: Did Southlake attempt to comply with the security requirement of Order No. PSC-00-0917-SC-WS?

Position: Yes. Southlake used its good faith efforts to provide the security required by the Order.

Witnesses: R. Chapman, J. Guastella

26. Issue: If Southlake violated Order No. PSC-00-0917-SC-WS, was such violation willful?

Position: No. Southlake did not intend to fail to provide the required security or to violate the Order. Southlake simply was not capable of providing the security.

Witnesses: R. Chapman, J. Guastella

27. Issue: If Southlake violated Order No. 96-1082-FOF-WS, should the proposed \$5,000.00 penalty be reduced or eliminated?

Position: Yes. The penalty should be eliminated because Southlake is a new small utility company and this is a very complex area of regulation, especially considering the previous orders changing Southlake's AFPI charges. Southlake already has undertaken a massive task to provide the information needed by the Commission for this matter and incurred tremendous expenses. The imposition of a fine will not promote the Commission's goal of having Southlake become a financially sound utility company capable of providing good service to the customers in the upcoming years.

Witnesses: R. Chapman, J. Guastella, G. White

28. Issue: Should Southlake be fined \$500.00 per day for its apparent violation of Order No. PSC-000917-SC-WS?

Position: No. Southlake made good faith efforts to provide security for potential refunds. Southlake should not be fined for not doing something that it does not have the ability to do.

Witnesses: R. Chapman, J. Guastella

29. Issue: If Southlake violated Order No. PSC-00-0917-SC-WS, should the proposed \$500.00 per day penalty be reduced or eliminated?

Position: Yes. The penalty should be eliminated because Southlake used its good faith efforts to provide the security and should not be fined for failing to perform an act that it was not capable of performing.

Witnesses: R. Chapman, J. Guastella

30. Issue: Should Southlake's corporate undertaking be accepted?

Position: Yes. In fact, the Commission has not returned the corporate undertaking. It is the only security that Southlake has been able to provide.

Witnesses: J. Guastella, G. White

E. STATEMENT OF ISSUES AND POSITIONS - QUESTIONS OF LAW

Questions of Law are interwoven with the Questions of Fact identified herein. For convenience, Southlake 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 identified herein. For convenience, Southlake has left those issues in that section 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 Southlake, D. R. Horton Custom Homes, Inc., and the Staff.

H. STATEMENT AS TO PENDING MOTIONS AND OTHER MATTERS

There currently is pending before the Commission a Request for Production to Southlake by the Staff.

Southlake is pursuing the availability of mediation in this matter.

I. STATEMENT AS TO PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

There are no requests or claims for confidentiality pending before the Commission. Southlake has not yet determined whether it will seek confidentially for documents sought in the Request for Production, because the documents are in the process of being accumulated for production.

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

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

K. RESERVATION

The Staff has scheduled depositions in this matter and Southlake and Horton possibly will be providing Late Filed Exhibits requested by the Staff of the Commission and other parties in said depositions of witnesses of Southlake. Therefore Southlake 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 11th day of April 2001.

ADE & SCHILDBERG, P.A.

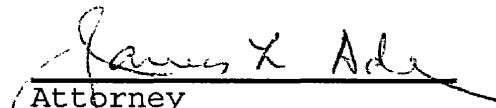
By: 

James L. Ade
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One Independent Square
Suite 2000
Jacksonville, FL 32202
Telephone: (904) 358-8818

Attorneys for Southlake
Utilities, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and fifteen (15) copies of the foregoing Prehearing Statement of Southlake Utilities, Inc. have been furnished by Federal Express this 11th day of April 2001, to Blanca Bayo, Director, Department of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Betty Easley Building, Room 110, Tallahassee, Florida 32399-0850, and a copy of the foregoing has been furnished to Samantha Cibula, Attorney, Florida Public Service Commission, Legal Division, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and F. Marshall Deterding, Rose, Sundstrom & Bentley, LLP, 2548 Blaiirstone Pines Drive, Tallahassee, Florida 32301, by United States Mail this 11th day of April 2001.


Attorney