

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Limited Investigation into)	DOCKET NO. 880883-WS
Rate Setting Procedures and Alternatives for Water and Sewer Utilities.)	ORDER NO. 20575
)	ISSUED: 1-9-89

Pursuant to Notice, a Prehearing Conference was held on January 4, 1989, in Tallahassee, before Commissioner John T. Herndon, Prehearing Officer.

APPEARANCES: B. KENNETH GATLIN, Esquire, Gatlin, Woods, Carlson and Cowdery, The Mahan Station, 1709-D Mahan Drive, Tallahassee, Florida 32308
On behalf of Palm Coast Utility Corporation and Florida Cities Water Company.

RICHARD D. MELSON, Esquire, Hopping, Boyd, Green and Sams, P. O. Box 6526, Tallahassee, Florida 32314
On behalf of General Development Utilities, Inc.

F. MARSHALL DETERDING, Esquire, Rose, Sundstrom & Bentley, 2548 Blairstone Pines Drive, Tallahassee, Florida 32301
On behalf of Chris Bentley

PHILIP HEIL, P. O. Box 8004, Jacksonville, Florida 32239
On behalf of Jacksonville Suburban Utilities Corporation.

NOREEN S. DAVIS, Esquire, and SUZANNE F. SUMMERLIN, Esquire, Florida Public Service Commission, 101 East Gaines Street, Fletcher Building, Tallahassee, Florida 32399-0863
On behalf of Commission Staff

WILLIAM H. HARROLD, Esquire, Florida Public Service Commission, 101 East Gaines Street, Fletcher Building, Tallahassee, Florida 32399-0863
Counsel to the Commissioners

PREHEARING ORDERI. Background

This proceeding was instituted by the Commission to investigate possible alternatives to existing rate-setting procedures for water and sewer utilities.

The Prehearing Officer excused the following persons from attending the Prehearing Conference on January 4, 1989:

Charles Sweat, Patrick O'Brien, Robert Nixon, Shari Dlouhy, Deborah Swain, Lisa Layne, Stanley Cohen, and Tim Thompson

II. Prefiled Testimony and Exhibits

Testimony of all witnesses to be sponsored by the parties has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after

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the witness has taken the stand and affirmed the correctness of the testimony and exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his/her testimony at the time he/she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After opportunity for opposing parties to object and cross-examine, the document may be moved into the record. All other exhibits will be similarly identified and entered at the appropriate time during hearing.

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

III. Order of Witnesses

A witness who is not represented by an attorney will take the witness stand upon being called. The witness will then give his or her name and address for the record, business affiliation, and provide a summary of their testimony if he or she wishes. The witness shall state that he or she prefiled written testimony in this proceeding and that the testimony contained therein would be the same if he or she were orally giving that testimony today. Upon conclusion of these initial remarks, the witness shall indicate that he or she is available for cross-examination.

<u>Direct</u>	<u>Appearing For</u>	<u>Issues</u>
1. J. Guastella	General Development	All
2. C. Sweat	Southern States	3-14, 17, 18
3. R. Nixon	Firm	1-4, 6-14, 16, 20
4. L. Layne/S. Cohen	Firm	1-4, 6-10, 12-14, 20
5. K. Cardey	Fla. Cities Water	3-9, 11, 12, 17-20
6. P. O'Brien	Utilities, Inc.	8-10, 12-16, 18
7. D. Swain	Deltona	3, 4, 8-11, 16, 17
8. R. Kelly	Palm Coast	9, 10, 13
9. S. Dlouhy	Windstream Utilities	3-5, 7
10. T. Thompson	Marion Utilities	1, 11-12, 14-15, 17
11. P. Heil	Jacksonville Suburban	3, 5, 21
12. C. Bentley	Himself	16

IV. Basic Positions

General Development: GDU supports the investigation into alternative rate-setting procedures for the water and sewer

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industry. The Commission should seek ways to minimize the expense of the rate-setting process, while still insuring that the interests of customers and stockholders are adequately protected.

Robert Nixon: The current rate-setting process is in need of reform. The issues addressed in this proceeding, if implemented, can resolve many of the problems which the current process imposes on Utilities, the Commission and its Staff.

Florida Cities: Florida Cities Water Company believes that the Commission should continuously explore and adopt rate setting procedures that are less costly and burdensome.

Utilities, Inc.: Miles Grant Water and Sewer Company believes that the Commission should continuously explore and adopt rate setting procedures that are less costly and burdensome, such as procedures used in various other states.

Palm Coast: Palm Coast Utility Corporation believes that the Commission should continuously explore and adopt rate setting procedures that are less costly and burdensome.

Windstream Utilities: Windstream Utilities Company believes that the Commission should establish an efficient, streamlined procedure to allow small utilities to recover the costs they incur because of new regulations by EPA and DER primarily pursuant to the Safe Drinking Water Act Amendments. The company does not believe the limited proceeding or a full rate case is the most desirable method because of the time involved. It does support the adoption of the proposed addition to Section 367.081(4)(b), Florida Statutes, (drafted by Staff) with a change of the required notice period prior to implementation of the increased rates from 90 days to 60 days.

Marion Utilities: Marion Utilities, Inc. believes that the Commission should modify the criteria it presently uses for granting staff assistance by raising the upper threshold level to above \$100,000 in annual gross revenues per system. Also, the Commission should pursue other changes to limit the time and expense of rate cases for small utilities.

Jacksonville Suburban: JSUC's basic position on Issue No. 3, is that the impact of EPA/DER requirements implementing safe drinking acts amendments should be considered in Section 367.0822, Florida Statutes. JSUC's basic position on Issue No. 21, is that the Florida Public Service Commission, Water and Sewer Division Staff should explore the possibility of a "Circuit Rider" program with the Florida Waterworks Association.

Chris Bentley: Mr. Bentley believes that the Commission should return to the use of DOAH Hearing Officers for several reasons, enumerated in his testimony.

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Staff: Staff supports the exploration of and implementation of alternative rate-setting procedures for the water and sewer industry.

V. ISSUES AND POSITIONS

Classification of Utilities

1. ISSUE: Are the criteria the Commission presently uses to classify utilities for purposes of granting staff assistance and requiring financial record-keeping appropriate?

POSITIONS

GENERAL DEVELOPMENT: The current gross revenue criteria is not inappropriate, but the Commission may want to consider supplementing that criteria with additional factors. Number of customers is one other factor that is worthy of consideration, but it is not the only other factor.

SOUTHERN STATES: No position.

ROBERT NIXON: The number of customers a utility serves should be taken into account, especially the requirement for small utilities that accounts and records be maintained on a monthly basis.

LISA LAYNE/STANLEY COHEN: The number of customers and the number of financial accounting personnel and the extent of their capabilities in rate matters should be taken into consideration.

FLORIDA CITIES WATER COMPANY: No position.

UTILITIES, INC.: No position.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No. The gross revenue of utilities used for classification should be raised for rate change purposes. The increasing costs and time involved for a small utility makes it almost impossible for a small utility to be able to apply for a rate increase.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

2. ISSUE: Should the Commission consider altering these criteria to take into account the number of customers a utility serves?

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POSITIONS

GENERAL DEVELOPMENT: See response to Issue 1.

SOUTHERN STATES: No position.

ROBERT NIXON: The number of customers a utility serves should be taken into account, especially the requirement for small utilities that accounts and records be maintained on a monthly basis.

LISA LAYNE/STANLEY COHEN: See response to Issue 1.

FLORIDA CITIES WATER COMPANY: No position.

UTILITIES, INC.: No position.

DELTONA UTILITITES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

Impact of EPA/DER Requirements

3. ISSUE: Is the limited proceeding authority, in Section 367.0822, Florida Statutes, the most desirable vehicle by which the Commission should consider the impacts on utilities of the EPA/DER requirements implementing the recently-enacted Safe Drinking Act (SDWA) Amendments?

POSITIONS

GENERAL DEVELOPMENT: Yes, the limited proceeding authority would be a desirable vehicle if the EPA/DER requirements mandate major improvements that would result in significant rate increases.

SOUTHERN STATES: The limited proceeding is the most desirable mechanism if the process can be refined so that limited proceedings do not become full-fledged rate cases. The limited proceeding would allow for an audit of the applicable components of the filing and also allow the utility to include operating expense increases associated with these new requirements.

ROBERT NIXON: Agrees, but notes that the pass-through mechanism would also be desirable for relatively minor dollar impacts and smaller companies. Also, the Commission's current policy of not utilizing the limited proceeding needs to be changed via a change in statute, rule or policy in order to be useful for this purpose.

LISA LAYNE/STANLEY COHEN: The flexibility to use either a limited proceeding or a pass-through procedure should be available.

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FLORIDA CITIES WATER COMPANY: If the present procedures are retained a more practicable and realistic approach to implementing the present rules should be used, for instance, using data available at the Commission and building on past audits and reviews rather than compiling the same data more than once.

UTILITIES, INC.: No position.

DELTONA UTILITIES: Yes.

PALM COAST: No position.

WINDSTREAM UTILITIES: No. A procedure similar to the "pass-through" statute contained in Section 367.081(4), Florida Statutes, would be more appropriate.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: Yes. The limited proceeding, Section 367.0822, Florida Statutes is the most desirable place to consider the impacts of EPA/DER requirements implemented under Safe Drinking Water Act Amendments.

CHRIS BENTLEY: No position.

4. ISSUE: Would it be more appropriate to utilize a procedure similar to that contained in Section 367.081(4), Florida Statutes, the "pass through" statute, to address the impacts of the EPA/DER SWDA requirements?

POSITIONS

GENERAL DEVELOPMENT: Probably not. The impact of EPA/DER requirements will not be as adaptable to a simple formula as is the case with current "pass through" items.

SOUTHERN STATES: Yes.

ROBERT NIXON: It would not be more appropriate, but should also be available for modest dollar impacts, since the cost to a utility would be less than that for a limited proceeding.

LISA LAYNE/STANLEY COHEN: See response to Issue 3.

FLORIDA CITIES WATER COMPANY: The "pass-through" procedure is much more timely and cost effective than a full blown rate case, but an investor would have to be concerned about his ability to earn a return on and the return of his investments.

UTILITIES, INC.: No position.

DELTONA UTILITIES: The pass-through could be used, but it is not the best vehicle because of the complexity of establishing true cost necessary.

PALM COAST: No position.

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WINDSTREAM UTILITIES: Yes, because is if either the limited proceeding on a full rate case would put a small utility in a substantial financial bind because of the time delay involved in these approaches.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No. Refer to position on Issue No. 3.

CHRIS BENTLEY: No position.

5. ISSUE: Should the following proposed addition to Section 367.081(4)(b), Florida Statutes, be adopted?

The approved rates of any utility which is required by a governmental agency to make capital improvements to meet new and increased treatment requirements to its water or wastewater system shall automatically be increased, without hearing, upon verified notice to the Commission 90 days prior to its implementation provided that the required improvement is completed and in service. The increased rates shall provide recovery of a fair rate of return and depreciation on the actual plant used and useful in the public service excluding any plant to which any contributions-in-aid-of-construction has been or will be collected. Upon a finding of failure to file the annual report as required by s. 367.121 or that the utility is exceeding its last authorized rate of return on equity, the Commission may order a utility to refrain from implementing a rate increase hereunder.

POSITIONS

GENERAL DEVELOPMENT: This language would generally be an acceptable method of accommodating the need for increased rates due to government mandated capital improvements, provided that no offset should be included for CIAC that "will be collected" in the future, since such funds are not available to pay for current costs.

SOUTHERN STATES: If the pass-through mechanism is used, increased operating expenses associated with the new requirements should be recoverable items.

ROBERT NIXON: No position.

LISA LAYNE/STANLEY COHEN: No position.

FLORIDA CITIES WATER COMPANY: The scope of the proposed language must be clarified before it would be acceptable to Florida Cities Water Company. The proposed language does not define the scope of the phrase that provides low cost recovery on plant used and useful and the provision for an offset for CIAC that has been or will be collected.

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UTILITIES, INC.: No position.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: Yes. However, I would recommend changing the 90 days to 60 days.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No. Refer to Position on Issue No. 3.

CHRIS BENTLEY: No position.

6. **ISSUE:** If the Commission decides to utilize an amended Section 367.081(4), F.S., authority, as proposed in Issue 5 above, should the Commission limit the use of the "pass through" to consideration of rate base impacts and not include consideration of operation and maintenance expenses?

POSITIONS

GENERAL DEVELOPMENT: No, there should be no such limitation provided that adequate documentation of the operation and maintenance expense impact can be provided to the Commission.

SOUTHERN STATES: See Issue 5.

ROBERT NIXON: Both rate base and operation and maintenance expenses.

LISA LAYNE/STANLEY COHEN: Both rate base and O & M expense impacts should be considered as the two generally co-exist.

FLORIDA CITIES WATER COMPANY: No. If the Commission decides to utilize the proposed language of Issue 5 above, the new rate should cover both capital and operating costs.

UTILITIES, INC.: No position.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: Refer to position on Issue No. 3. Consideration of rate base impacts, operation and maintenance expenses should be made in a limited proceeding.

CHRIS BENTLEY: No position.

7. **ISSUE:** If the Commission considers such EPA/DER SDWA requirements and such consideration results in an increase in rates, when should these rates become effective?

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POSITIONS:

GENERAL DEVELOPMENT: The appropriate timing of such a rate increase depends in part on the size and financial posture of the utility and on the magnitude of the EPA/DER requirements. If the increased cost burden on the utility can be adequately addressed through AFUDC, then it would be appropriate to implement the rate increase when plant is placed in service. If the impact is of such a magnitude that AFUDC is not sufficient to protect the utility, then a rate increase would be appropriate when costs are first incurred for the project.

SOUTHERN STATES: Rates should become effective at the time plant becomes used and useful.

ROBERT NIXON: As soon as mandated facilities are complete or debt service requirements begin, whichever is sooner. Increases for operating expenses should be effective as soon as the increased expenses are incurred.

LISA LAYNE/STANLEY COHEN: Costs associated with debt servicing for the improvements should be passed on as rates with the commencement of debt servicing. Increased rates for costs associated with increased operation and maintenance expenses should be effective when the actual charges start to occur.

FLORIDA CITIES WATER COMPANY: The rate should become effective with the commercial operation of the facilities.

UTILITIES, INC.: No position.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: The new rates should become effective at the next billing when the requirements and improvements are completed and put in service.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: Increased rates granted by the Commission as a result of EPA/DER requirements should go into effect 90 days after facilities are placed in service.

CHRIS BENTLEY: No position.

Rate Case Procedural and Data Changes

- ISSUE:** Should the Commission change its policy of using the 13-month average method of calculating the components of the test year and instead adopt a policy of using a simple beginning and end year average method to calculate the components of the test year for water and sewer utilities?

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POSITIONS

GENERAL DEVELOPMENT: Yes. A year-end test year would be more appropriate for historical test periods, although a simple beginning and end of year average would be a step in the right direction. A simple average would be appropriate for projected test year situations, provided it was subject to adjustment to give full weight to known changes for significant capital items.

SOUTHERN STATES: Yes, it will reduce rate case expense and audit time.

ROBERT NIXON: A utility should be able to use a simple average, 13-month average or a year-end basis as appropriate in the circumstances. The choice would be requested in the test year approval letter. Once the method is chosen and approved, no further consideration of this issue would be allowed.

LISA LAYNE/STANLEY COHEN: There should be flexibility for a utility to request, in its test year request, either a 13-month average, a simple average, or year-end balances.

FLORIDA CITIES WATER COMPANY: Florida Cities Water Company recommends that the Commission use the average of the beginning and ending balance for the components of rate base.

UTILITIES, INC.: Utility companies should have the option of using a beginning and end of year average method.

DELTONA UTILITIES: Yes, in order to reduce rate case expense.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

9. ISSUE: Should the Commission change its policy of utilizing the balance sheet method to calculate working capital and instead adopt a policy of utilizing the formula method (1/8 of operation and maintenance expenses) to calculate working capital for water and sewer utilities?

POSITIONS

GENERAL DEVELOPMENT: Yes, the Commission should consider changing its policy to allow a utility to utilize the formula method as an alternative to the balance sheet method.

SOUTHERN STATES: Yes.

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ROBERT NIXON: The formula approach should be adopted.

LISA LAYNE/STANLEY COHEN: The 1/8 of O & M approach provides the company with the funds it needs to meet operational expenses.

FLORIDA CITIES WATER COMPANY: Yes, Florida Cities Water Company recommends that the Commission adopt the 1/8 formula for computing working capital.

UTILITIES, INC.: The formula method should be used if the utility company is not using the 13-month average calculations.

DELTONA UTILITIES: Yes, if deferred expenses are included as a separate item.

PALM COAST: Yes.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

10. ISSUE: Should deferred charges, including rate case expense, be treated as a component of rate base separate from working capital?

POSITIONS

GENERAL DEVELOPMENT: Yes. Separate treatment is necessary to appropriately recognize the carrying costs associated with such items.

SOUTHERN STATES: Yes, deferred charges and inventory should be included if the formula approach is used.

ROBERT NIXON: Yes.

LISA LAYNE/STANLEY COHEN: Yes, since under the 1/8 of O & M approach, deferred charges are excluded from working capital.

FLORIDA CITIES WATER COMPANY: In many cases deferred charges including rate case expense, should be treated as components of rate base separate from working capital.

UTILITIES, INC.: No. Deferred charges should not be treated as a component of rate base separate from working capital.

DELTONA UTILITIES: Yes, deferred charges and a material inventory allowance should be allowed.

PALM COAST: Yes.

WINDSTREAM UTILITIES: No position.

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MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

11. ISSUE: Should the Commission place a limitation on a utility's option to file a price index during the pendency of a rate proceeding?

POSITIONS

GENERAL DEVELOPMENT: No. The normal rate case review procedures are sufficient to prevent any duplication with respect to inflation adjustments.

SOUTHERN STATES: Yes, through the the 8-month period or to the date of the final order if the final order is appealed.

ROBERT NIXON: No, particularly when a rate case goes beyond 8 months.

LISA LAYNE/STANLEY COHEN: No position.

FLORIDA CITIES WATER COMPANY: Florida Cities Water Company is not opposed to a limitation on filing for price indexing while a rate proceeding is pending.

UTILITIES, INC.: No position.

DELTONA UTILITIES: Yes, through the date of the final order, not to exceed one year.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: If the utility can show sufficient cost increase in order to file for indexing or a pass-through, this should be taken into consideration at the time of the rate proceeding.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

12. ISSUE: Should the Commission categorize its initial MFR questions and subsequent interrogatories in terms of which questions or series of questions are appropriate/necessary for which size/type of companies (such as rate case data requirements regarding tax matters)?

POSITIONS

GENERAL DEVELOPMENT: This alternative should be explored as one method of potentially reducing rate case costs without sacrificing the level of information needed for Commission review. Overall simplification of MFR questions and elimination of marginally beneficial interrogatories would be another alternative worthy of consideration.

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SOUTHERN STATES: Yes. The Commission should also accumulate a permanent record for each utility under its jurisdiction.

ROBERT NIXON: Yes. With regard to initial MFR questions, the Staff is working on a new rule and proposed MFR's in a separate docket. Interrogatories should always be tailored to the specific company.

LISA LAYNE/STANLEY COHEN: Yes.

FLORIDA CITIES WATER COMPANY: Interrogatories should be relevant to the rate case before the Commission. Tallahassee staff and field auditors should communicate as to what information is available in order to eliminate unnecessary interrogatories.

UTILITIES, INC.: Yes. The Commission should categorize its initial MFR questions and subsequent interrogatories in terms of the size/type of company.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: With regards to the initial MFR, possibly categorizing the MFR questions and subsequent testimony to the size or type of utility company in terms of which questions or series of questions are necessary.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

13. ISSUE: Should the Commission give water and sewer utilities the option to choose to use the PAA process with a 5-month clock for processing of cases, with the understanding that an 8-month clock will start if a valid protest is made to the PAA Order?

POSITIONS

GENERAL DEVELOPMENT: While the PAA process can be beneficial in many cases, it would be counter-productive to commence an eight month clock after a utility was already five months into a rate-making proceeding.

SOUTHERN STATES: Yes.

ROBERT NIXON: Yes, a utility should have this option, as a step towards resurrecting the PAA process.

LISA LAYNE/STANLEY COHEN: We highly recommend the use of the PAA process.

FLORIDA CITIES WATER COMPANY: No position.

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UTILITIES, INC.: If the present system is to simply be revised then the option to use the PAA process is the first place to start. If the option is to work efficiently, issue 13 must be tied to issue 14. At the time the staff completes its recommendation in the PAA process parties should be able to file specific objections. Once that is done and objectives are defined it should take no longer than 5 months to reach a resolution. This results in total lapse time of 10 months.

DELTONA UTILITIES: No position.

PALM COAST: No.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

14. ISSUE: Should the Commission require protests to be specific regarding the issues to be taken to hearing and then limit hearings to those issues only?

POSITIONS

GENERAL DEVELOPMENT: The Commission should require the issues in a case to be identified at some early stage in the process, if not in the protest itself.

SOUTHERN STATES: Yes.

ROBERT NIXON: Yes. Such a requirement could reduce rate case expense and in some cases the need for a hearing.

LISA LAYNE/STANLEY COHEN: Yes. The ratepayers ultimately bear the burden for the increased costs associated with recreating the wheel for the intervenor.

FLORIDA CITIES WATER COMPANY: No position.

UTILITIES, INC.: If the present system is to simply be revised then the option to use the PAA process is the first place to start. If the option is to work efficiently, issue 13 must be tied to issue 14. At the time the staff completes its recommendation in the PAA process, parties should be able to file specific objections. Once that is done and objectives are defined, it should take no longer than 5 months to reach a resolution. This results in total lapse time of 10 months.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

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MARION UTILITIES: Subsequent testimony should be limited to the protests only and the hearings should be limited to those issues only.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

15. ISSUE: Should the standard process of conducting a rate case (as scheduled in the CASR form) be reviewed to uncover possible inefficiencies and redundancies?

POSITIONS

GENERAL DEVELOPMENT: Yes.

SOUTHERN STATES: No position.

ROBERT NIXON: No position.

LISA LAYNE/STANLEY COHEN: No position.

FLORIDA CITIES WATER COMPANY: No position.

UTILITIES, INC.: Yes.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: Suggests that the official filing date procedures should be revamped to shorten the process. Also, Staff should be required to bring cases to hearing within 90 days.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

16. ISSUE: Should the Commission consider sending cases to DOAH or having hearing officers within the Commission so that cases can be heard more quickly than the Commission calendar would allow?

POSITIONS

GENERAL DEVELOPMENT: The Commission has authority under current statutes to send cases to DOAH if necessary to have them heard more quickly than the Commission calendar would allow.

SOUTHERN STATES: No position.

ROBERT NIXON: Cases should be sent to DOAH, but the Commission should not have its own in-house hearing officers.

LISA LAYNE/STANLEY COHEN: No position.

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FLORIDA CITIES WATER COMPANY: No position.

UTILITIES, INC.: Yes.

DELTONA UTILITIES: Yes, provided that customers can testify on quality of service and customer service issues, either before DOAH, one Commissioner or a Commission representative.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: The Commission should return to the use of DOAH Hearing Officers for several reasons, enumerated in my testimony.

17. ISSUE: Should the Commission adopt a policy of encouraging statewide uniform rates for companies with multiple systems?

POSITIONS

GENERAL DEVELOPMENT: There are many difficult hurdles with respect to uniform rates for physically separate systems in various areas of the state. The Commission might want to encourage experimentation on an individual case basis before adopting any broad policy in this area.

SOUTHERN STATES: Yes. It would reduce administrative costs in accounting, data processing, and rate case expense.

ROBERT NIXON: No position.

LISA LAYNE/STANLEY COHEN: No position.

FLORIDA CITIES WATER COMPANY: Florida Cities Water Company approves of the use of statewide rates for companies with multiple systems.

UTILITIES, INC.: No position.

DELTONA UTILITIES: Yes, as it would provide significant cost reductions in accounting, data processing and rate case expenses.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: I do not believe this can be accomplished in that the different systems rates were based on the initial investments of that particular system. How can one system that has a higher rate lower theirs and have another system which has lower rates be asked to pay the difference?

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JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

18. ISSUE: Should the Commission require a utility that operates multiple systems and is actively acquiring new systems to cease acquisition activity for a reasonable period of time in order to enable the Commission to do a company-wide assessment of rates and charges, and to look at rate of return, earnings, etc. on a company-wide basis with a view toward establishing uniform statewide rates?

POSITIONS

GENERAL DEVELOPMENT: No. Such a restriction would place an undue burden on legitimate utility activity.

SOUTHERN STATES: No, the window of opportunity to acquire a new system may be limited and this procedure may preclude such an acquisition.

ROBERT NIXON: No position.

LISA LAYNE/STANLEY COHEN: No position.

FLORIDA CITIES WATER COMPANY: No.

UTILITIES, INC.: No.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

Alternatives to Rate Base Regulation

19. ISSUE: Should the Commission pursue a statutory change raising the threshold for Commission jurisdiction from 100 persons to 100 ERCs?

POSITIONS

GENERAL DEVELOPMENT: No position at this time.

SOUTHERN STATES: No position.

ROBERT NIXON: No position.

LISA LAYNE/STANLEY COHEN: No position.

FLORIDA CITIES WATER COMPANY: The limits should be increased, and using 100 customers rather than ERC's is something more commonly understood.

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UTILITIES, INC.: No position.

DELTONA UTILITIES: No position.

PALM COAST: No position.

WINDSTREAM UTILITIES: No position.

MARION UTILITIES: No position.

JACKSONVILLE SUBURBAN: No position.

CHRIS BENTLEY: No position.

20. ISSUE: Would any of the following alternatives be an appropriate alternative to rate base regulation for Class C Utilities?
- a. Operating ratios (operation and maintenance expenses plus a reasonable allowance to provide an incentive to management)
 - b. Optimal rates (the rates of the city or county with an allowance to cover costs unique to investor-owned utilities)
 - c. Comparative rates (a ceiling based on what the rates would be if you had the optimum-sized plant and number of customers)

POSITIONS

GENERAL DEVELOPMENT: No position at this time. This is an issue that may require more time and attention than can be afforded in the current docket.

SOUTHERN STATES: No position.

ROBERT NIXON: The Commission should consider rate making based on operating ratios for Class C Utilities and those with zero rate base (Issue 20(c)). No position on Optimal or comparative rates (Issues 20(b) and 20 (c)).

LISA LAYNE/STANLEY COHEN: Operating ratios plus a reasonable allowance would be more meaningful in cases where little or no rate base exists.

FLORIDA CITIES WATER COMPANY: If any of the alternatives are used they would have to be tested against the right of the investor to compensation for property dedicated to public use. Unless the formula produces earnings, it has little value to the rate making process.

UTILITIES, INC.: No position.

DELTONA UTILITIES: No position.

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- PALM COAST: No position.
- WINDSTREAM UTILITIES: No position.
- MARION UTILITIES: No position.
- JACKSONVILLE SUBURBAN: No position.
- CHRIS BENTLEY: No position.

21. ISSUE: Should the Commission create a "circuit-rider" instructional program in cooperation with the Florida Water Works Association modeled on the Rural Water Association program?

POSITIONS

- GENERAL DEVELOPMENT: No position at this time.
- SOUTHERN STATES: No position.
- ROBERT NIXON: No position.
- LISA LAYNE/STANLEY COHEN: No position.
- FLORIDA CITIES WATER COMPANY: No position.
- UTILITIES, INC.: No position.
- DELTONA UTILITIES: No position.
- PALM COAST: No position.
- WINDSTREAM UTILITIES: No position.
- MARION UTILITIES: No position.
- JACKSONVILLE SUBURBAN: Yes. The Commission through its Water and Sewer Division Staff should explore with the Florida Waterworks Association the feasibility of establishing a "circuit-rider" instructional program.
- CHRIS BENTLEY: No position.

IV. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>Exh. No.</u>	<u>Title</u>
P. O'Brien	Utilities, Inc.	POB-1	Schedule for Filed and Suspended Rate Cases Showing Cost of Case and Staff Hours
		POB-2	Illinois Commerce Commission Standard Filing Requirements

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<u>Witness</u>	<u>Proffered By</u>	<u>Exh. No.</u>	<u>Title</u>
		POB-3	Tariff Sheets
		POB-4	S. Carolina PSC Rules and Regulations - Water Utilities
		4-a	Application for rate increase to So. Carolina PSC
		POB-5	Application for rate increase to N. Carolina Utilities Commission
		POB-6	Final Order - Virginia State Corporation Commission
D. Swain	Deltona	DS-1	Comparison of 13 month average to simple average
P. Heil	Jacksonville Suburban	PH-1	Proposed amend- ment to S. 367.0822, F.S.
R. Nixon	R. Nixon	RN-1	Testimony on Operating Ratios by Richard G. Stevie

Based on the foregoing, it is

ORDERED by Commissioner John T. Herndon, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth below unless modified by the Commission.

By ORDER of Commissioner John T. Herndon as Prehearing Officer, this 9th day of JANUARY, 1989.

John T. Herndon
 JOHN T. HERNDON, Commissioner
 and Prehearing Officer

(S E A L)

NSD/SS