

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of CONTINENTAL	)	DOCKET NO. 881178-WS
COUNTRY CLUB, INC., for rate increase	)	ORDER NO. 21287
in Sumter County, Florida.	)	ISSUED: 5-25-89

Pursuant to Notice, a Prehearing Conference was held on May 4, 1989, in Tallahassee, before Commissioner Gerald L. Gunter, Prehearing Officer.

APPEARANCES: B. KENNETH GATLIN, Esquire, and KATHRYN COWDERY, Esquire, Gatlin, Woods, Carlson & Cowdery, 1709-D Mahan Drive, Tallahassee, Florida 32308  
On behalf of Continental Country Club, Inc.

CHRISTOPHER P. JAYSON and JOHN T. ALLEN, JR. of John T. Allen, Jr., P.A., 4508 Central Avenue, St. Petersburg, Florida 33711  
On behalf of the Continental Community Resident Homeowners' Association, Inc.

PETER SCHWARZ, Esquire, Office of Public Counsel, c/o Florida House of Representatives, The Capitol, Tallahassee, Florida 32399-1300  
On behalf of the Citizens

SUZANNE F. SUMMERLIN, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0850  
On behalf of the Commission Staff

PRENTICE P. PRUITT, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0850  
Counsel to the Commission

PREHEARING ORDER

BACKGROUND

On January 13, 1987, the Sumter County Board of Commissioners adopted a resolution transferring jurisdiction over its privately-owned water and wastewater utilities to this Commission, pursuant to Section 367.171, Florida Statutes. By Order No. 19854, issued on August 22, 1988, this Commission granted Continental Country Club, Inc. (Continental or the utility) water and wastewater certificates under the grandfathering provisions of Section 367.171, Florida Statutes.

Continental serves approximately 780 mobile home lots, a 104-unit master-metered condominium complex called Sandalwood Condominium, a clubhouse, sales and maintenance offices, and a pool. The cost of water and wastewater service is presently included in the monthly maintenance fee for the mobile home lots. These maintenance fees were previously established by court order for most lot owners. The maintenance fee is an aggregate charge for various community services, including garbage collection, lawn care, pool maintenance, street lighting, and recreational and boat storage facilities. The

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customers in the condominium complex are charged a per unit amount and a gallonage charge for water and wastewater service. The general service customers are not billed for water and wastewater service.

In its grandfather application, Continental asked the Commission to set separate utility rates for the mobile home lot owners, but new utility rates were not requested for general service customers or for the Sandalwood Condominium. In Order No. 19854, we agreed that revision of utility rates was probably needed. However, previously existing rates are generally retained in a grandfather proceeding and, therefore, we denied the requested revision of utility rates.

However, Continental was ordered to file minimum filing requirements (MFRs) by November 20, 1988, to permit this Commission to make a full examination of all matters relating to the setting of reasonable rates for the utility's customers. A filing extension to November 23, 1988, was subsequently requested. On that date, the utility filed its completed MFRs, and November 23, 1988, was accordingly established as the official date of filing.

The utility's filing is based on the projected test year ending March 31, 1990, using actual data for the base period ended June 30, 1988, and expected expansion costs for the water system. Completion of the water plant expansion is expected by June, 1989. Meter installation was completed as of April 15, 1989.

Upon the Commission's own motion, this matter is currently set for an administrative hearing at 10:00 a.m., Wednesday, May 31, 1989, through Thursday, June 1, 1989, with an evening session at 7:00 p.m., Wednesday, May 31, 1989. The hearing will be held at Lake-Sumter Community College, The Fine Arts Center, 5900 U. S. Highway 441 South, Leesburg, Florida 32788.

The scope of this proceeding shall be based upon the issues raised by the parties and Commission Staff during the prehearing conference, unless modified by the Commission. The hearing will be conducted according to the provisions of Chapter 120, Florida Statutes, and the rules and regulations of this Commission.

#### 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 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 or her testimony at the time he or 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.

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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.

ORDER OF WITNESSES

<u>Direct</u>	<u>Appearing For</u>	<u>Issues</u>
George MacFarlane*	Continental	Content of the MFRs
John W. Springstead, P.E.*	Continental	Recommended improvements to the water distribution system
Ed Rogers	Homeowners	Maintenance fees, maintenance services and amenities
A. G. Mohar	Homeowners	Maintenance fees, maintenance services and amenities
Charles L. Noll	Homeowners	Maintenance fees, maintenance services, amenities and increases
Harry DeMeza*	Citizens	Engineering issues
David J. Effron*	Citizens	Accounting issues
Paula Noblitt*	Staff	Quality of service and DER issues
Jeffrey A. Ebbitt*	Staff	Quality of service and DER issues

\*These witnesses will be offered as experts in their respective fields.

Rebuttal Testimony

George MacFarlane                      Continental

BASIC POSITIONS

CONTINENTAL: The basic position of Continental Country Club, Inc. is that it should be granted the rates requested in its application in order to be entitled an opportunity to earn a fair and reasonable rate of return.

HOMEOWNERS: The Final Judgment entered by the Circuit Court in James A. Savoie, et al., vs. Continental Country Club, Inc., as affirmed and modified by the Fifth District Court of Appeal, prohibits Continental Country Club, Inc. from collecting any amount in excess of the actual and reasonable out-of-pocket expenses for operating Continental Country Club Mobile Home Community. The Final Judgment, as affirmed and

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modified by the Fifth District Court of Appeal, prohibits the utility from assessing the residents for depreciation expense, interest expense, or any profit or return on investment. The Final Judgment, as affirmed and modified by the Fifth District Court of Appeal, is res judicata on the issues involved in that proceeding and, therefore the issues relating to profit, depreciation expense, interest expense, and related issues in this proceeding. Continental Country Club, Inc. is collaterally estopped by the terms of the Final Judgment, as affirmed and modified by the Fifth District Court of Appeal, from seeking to assess the residents for profit, interest expense, depreciation expense, or related matters in this proceeding.

PUBLIC COUNSEL: See Motion to Limit Issues of Fact or In The Alternative Motion for Summary Judgment and Request for Hearing filed by the Citizens.

STAFF: Staff's basic position is that the Commission must set rates for this utility pursuant to Section 367.081(2), Florida Statutes, which requires that the Commission:

fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, the commission shall consider the value and the quality of the service and the cost of providing the service, which shall include, but not be limited to, debt interest, the requirements of the utility for working capital; maintenance, depreciation, tax, and operating expenses incurred in the operation of all property used and useful in the public service; and a fair return on the investment of the utility in property used and useful in the public service.

#### ISSUES AND POSITIONS

##### Legal Issues

1. ISSUE: What consideration, if any, should the Commission give the court decisions relating to Continental Country Club, Inc. v. James A. Savoie, et al.?

##### POSITIONS

CONTINENTAL: The Public Service Commission should set rates pursuant to the requirements of Chapter 367, Florida Statutes, and ought not give consideration to the Court decision.

HOMEOWNERS: See basic position.

PUBLIC COUNSEL: The decision of the Fifth District Court of Appeals in Continental Country Club, Inc. v. James A. Savoie, et al. is a valid decision of a court of competent jurisdiction and requires the Commission to recognize the validity of the covenants entered into between the developer and the residents. For a complete statement of

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the Citizen's position see their motion for summary judgment.

**STAFF:** The Commission is not required to give consideration to the court decisions and contracts and agreements referred to in Issues 1, 2, and 3 to the extent that they conflict with the Commission's statutory mandate in Section 367.081(2), Florida Statutes. The Second District Court of Appeal's decision in Cohee v. Crestridge Utilities Corp., 324 So.2d 155, in 1975, states that:

Therefore, despite the fact that Crestridge had a pre-existing contract concerning its rates, now that Crestridge is under the jurisdiction of the Public Service Commission, these rates may be ordered changed by that body. The Public Service Commission has authority to raise as well as lower rates established by a pre-existing contract when deemed necessary in the public interest. State v. Burr, 1920, 79 Fla. 290, 84 So.61.

2. **ISSUE:** What consideration, if any, should the Commission give the Master Agreement between Sandalwood Condominium and Continental Country Club?

**POSITIONS**

**CONTINENTAL:** The Commission must set rates and charges pursuant to the requirements of Chapter 367, Florida Statutes. Since the Master Agreement conflicts with the statute, it should not be considered.

**HOMEOWNERS:** Adopts Public Counsel's position.

**PUBLIC COUNSEL:** The Commission should recognize the \$10,000 contribution made as a tap on fee in the calculation of the rates for Sandalwood. Additionally, the Sandalwood condominium owners should continue to be treated as bulk rate purchasers with a cap on water and sewer fees.

**STAFF:** See position given on Issue 1 above.

3. **ISSUE:** What ratemaking adjustments should be made to reflect the Commission's consideration of the covenants and restrictions for the homeowners?

**POSITIONS**

**CONTINENTAL:** Since the covenants and restrictions are contrary to the requirements of Chapter 367, Florida Statutes, they ought not be considered.

**HOMEOWNERS:** See basic position.

**PUBLIC COUNSEL:** If the Commission determines that it has the authority to consider the covenants running with the

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land of the development, it must, as a matter of law construe them consistent with the opinion of the District Court. In other words, no depreciation, interest expense or profit would be permitted to be recovered in the rates approved by the Commission. In the event that the Commission treats the Sandalwood condominiums as bulk purchasers the utility should be exempt from the jurisdiction of the Commission.

STAFF: See position given on Issue 2 above.

Quality of Service Issue:

4. ISSUE: Is the quality of service for Continental satisfactory?

POSITIONS

CONTINENTAL: Yes, the quality of service of Continental Country Club is satisfactory.

HOMEOWNERS: No position.

PUBLIC COUNSEL: Quality of service is an issue that the Citizens do not have a position on at this time, however, until customer testimony is completed they wish to reserve their right to brief the issue.

STAFF: No position pending presentation of customer testimony.

Rate Base Issues:

5. ISSUE: Are the reported construction costs for plant added before August, 1986, adequately supported, and if not, what adjustments are appropriate?

POSITIONS

CONTINENTAL: Yes, except for certain items previously identified.

HOMEOWNERS: No position.

PUBLIC COUNSEL: No exceptions are evident at this time as to support for pre-August, 1986 plant costs. Review of recently received interrogatories is necessary to evaluate this issue.

STAFF: No position at this time.

6. ISSUE: What is the proper level of original investment in plant?

POSITIONS

CONTINENTAL: For the projected test year ending March 31, 1990, including the estimated cost of new additions and

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appropriate adjustments, the proper level of original investment is:

Water	\$1,116,713.00
Sewer	\$1,130,017.00

HOMEOWNERS: No position.

PUBLIC COUNSEL: Since Public Counsel has not performed an audit of the utility's investment in plant, it is assumed that the PSC Audit Staff will be able to verify the amount. However, at this time it appears that not all of the plant projected to be in service at the beginning of the test year has been installed.

STAFF: No position at this time.

7. ISSUE: If well #3 or well #1 is removed from utility service, should rate base and operating expenses be adjusted accordingly?

POSITIONS

CONTINENTAL: If well #1 is removed from utility service, then rate base should be adjusted accordingly. The electric operating expenses should be adjusted to reflect the cost of running two 500 GPM pumps, instead of smaller original pumps at wells #2 and #4.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: Yes. The appropriate adjustments are:

	WATER	SEWER
Plant in Service	\$(12,403)	
Accum. Depreciation	\$( 5,400)	
Depreciation Expense	\$( 413)	
Cert. Exp. Capitalized	\$( 277)	\$( 276)

STAFF: No position at this time.

8. ISSUE: Should rate base adjustments be made to reflect plant additions which may have resulted from prior neglect or failure to adequately maintain?

POSITIONS

CONTINENTAL: No.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: Yes. To the extent the PSC determines such repairs have been made, the plant should be removed from rate base.

STAFF: No position.

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9. ISSUE: Have plant retirements been properly recognized for plant which has been replaced?

POSITIONS

CONTINENTAL: No, but an adjustment has been proffered. See Continental's Responses to Staff's Second Set of Interrogatories.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: No.

STAFF: No. Replaced transmission mains should be retired.

10. ISSUE: Was the acquisition cost of the Continental Country Club development properly recorded and properly allocated between the utility and nonutility assets?

POSITIONS

CONTINENTAL: Yes.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: No. No acquisition adjustment should be made. See position on issue 12 below.

STAFF: The acquisition cost is inadequately documented.

11. ISSUE: Should an acquisition adjustment be included in the rate base calculations?

POSITIONS

CONTINENTAL: Yes.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: No. Reduce rate base:

	WATER	SEWER
Acquisition Adjmt.	\$185,379	\$200,564
Accumulated Amort.	\$ 10,378	\$ 11,799
Amortization Exp.	\$ 6,080	\$ 7,721

STAFF: No position at this time.

12. ISSUE: Should the pro forma adjustment for meter installation and sundry water plant improvements be corrected to reflect the actual cost if known as of the hearing date?

POSITIONS

CONTINENTAL: Yes.

HOMEOWNERS: Yes.



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**PUBLIC COUNSEL:** Yes. In addition, adjustments for actual in-service dates should also be made.

**STAFF:** Yes, to the extent the actual costs are known and supported.

13. **ISSUE:** What used and useful adjustments are necessary in this case?

**POSITIONS**

**CONTINENTAL:**

<u>Water</u>	intangible plant -	100%
	source of supply -	100%
	excluding nonpotable portion of well #3	
	storage -	100%
	transmission and -	97.08% (actual)
	distribution system -	100.00% (used)
<u>Sewer</u>	intangible -	100%
	treatment and -	45.09%
	disposal plant	
	collection and -	97.08% (actual)
	pumping -	100% (used)
	general plant -	100%

**HOMEOWNERS:** Adopts Public Counsel's position.

**PUBLIC COUNSEL:** The proper used and useful adjustments are those proposed by Witnesses Demeza and Effron:

	WATER	SEWER
Plant in Service	\$(47,919)	\$(79,851)
Accumulated Deprec.	\$(13,636)	\$(28,132)
Depreciation Exp.	\$( 1,193)	\$( 2,195)

**STAFF:** No position at this time.

14. **ISSUE:** If a margin of reserve is included in the used and useful calculation, should CIAC be imputed in a corresponding manner?

**POSITIONS**

**CONTINENTAL:** CIAC should not be imputed.

**HOMEOWNERS:** Adopts Public Counsel's position. See basic position.

**PUBLIC COUNSEL:** Yes. However, no margin of reserve should be included.

**STAFF:** Yes, in accordance with the Commission's policy.

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15. ISSUE: What is the proper level of CIAC?

POSITIONS

CONTINENTAL: Water - \$142,420.00 including imputed CIAC and Sandalwood.

Sewer - \$298,480.00 including imputed CIAC and Sandalwood.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: Should the Commission decide to allow a return on rate base, the proper CIAC balances are:

	<u>WATER</u>	<u>SEWER</u>
CIAC	\$326,408	\$667,965
Accumulated Amort.	\$ 56,134	\$113,828

STAFF: To the extent interim CIAC charges are retained in whole or in part, the projected rate base amount should be adjusted accordingly. To the extent the utility's provision for imputed CIAC is understated or incorrectly calculated, corresponding adjustments to CIAC will be needed. Also, the accumulated amortization account should be recalculated if CIAC is adjusted.

16. ISSUE: Should the CIAC balance be adjusted to reflect the contracts and agreements between the developer/utility and certain customers?

POSITIONS

CONTINENTAL: No.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: The adjustments proposed by Witness Effron should be made:

	<u>WATER</u>	<u>SEWER</u>
CIAC Balance	\$206,988	\$423,885
Accumulated Amort.	\$ 24,673	\$ 51,735

STAFF: No position at this time.

17. ISSUE: Is the level of accumulated depreciation properly stated?

POSITIONS

CONTINENTAL: Yes, the level of accumulated depreciation is properly stated.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: No. The proper level of accumulated

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depreciation to use if rate base is established is:

<u>WATER</u>	<u>SEWER</u>
\$234,920	\$307,393

STAFF: Retirement entries regarding replaced mains and undocumented additions will affect this account.

- 18. ISSUE: Has the Company properly calculated working capital?

POSITIONS

CONTINENTAL: Yes, the company has properly calculated working capital.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: No. The level of working capital has not been substantiated, therefore, none should be allowed.

STAFF: If the formula approach is accepted, working capital should be reduced to the extent expenses are reduced.

- 19. ISSUE: What is the appropriate rate base?

POSITIONS

CONTINENTAL: No position at this time.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: Rate base should be set at zero. In the event the Commission establishes rate base, the adjustments proposed by OPC should be made resulting in rate bases of:

<u>Water</u>	<u>Sewer</u>
\$584,462	\$54,759

STAFF: No position at this time.

Cost of Capital Issues:

- 20. ISSUE: Should the utility's proposed capital structure be accepted for this proceeding, and if not, what capital structure should be employed?

POSITIONS

CONTINENTAL: Yes.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: No. The proper capital structure to be used is that proposed by Witness Effron.

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STAFF: Yes.

21. ISSUE: What is the appropriate return on equity for this proceeding?

POSITIONS

CONTINENTAL: 14.35% in accordance with the allowed return on common equity as established in Docket No. 880006-WS, Order No. 19718, issued July 26, 1988.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: The proper return on equity that should be used in this case is zero. However, if rate base is established, the return on equity established by the leverage graph in effect on the date of the Commission's vote should be used.

STAFF: The return on equity approved for this utility should be determined in accordance with the leverage formula in effect on the date the vote is rendered.

22. ISSUE: What is the appropriate cost of capital for this proceeding?

POSITIONS

CONTINENTAL: 10.88% weighted cost.

HOMEOWNERS: Adopts Public Counsel's position and see basic position.

PUBLIC COUNSEL: The proper cost of capital that should be used in this case is zero. However, should the Commission allow a return, the alternative position of Witness Effron should be used.

STAFF: The utility's proposed cost of capital of 10.88% should be accepted, except for modification pursuant to the determination of the appropriate return on equity.

Operating Income Issues:

23. ISSUE: Should professional fees relating to acquisition and certification of the utility be adjusted?

POSITIONS

CONTINENTAL: Certain professional fees relating to acquisition of the utility should be capitalized and some should be disallowed as nonrecurring amounts.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: As has been Commission practice for some time, all acquisition costs should be removed from cost recovery. The ratepayers should be held harmless from the costs of these nonregulated transactions. This would include part of the rate case expense which was incurred due to the acquisition.

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STAFF: Yes, expenses should be reduced by \$1,107.00. Intangible plant should be increased by \$553.00.

24. ISSUE: Should the \$1,860 pro forma expense for an engineering study be disallowed?

POSITIONS

CONTINENTAL: No.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: Yes, this amount should be disallowed.

STAFF: No position pending review of supporting data.

25. ISSUE: Should other pro forma adjustments be disallowed?

POSITIONS

CONTINENTAL: No.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: Yes. All pro forma adjustments that are not synchronized with other test year data should be disallowed.

STAFF: No position at this time.

26. ISSUE: Should the projected \$60,000 rate case expense be replaced by known and expected amounts as of the hearing date?

POSITIONS

CONTINENTAL: The utility will provide updated actual and projected rate cases expenses if requested.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: No rate case expense should be allowed for recovery. Had the utility properly set rates in the past, the Commission would not have needed to order it to file this case.

STAFF: Yes, actual and prudent rate case cost should be allowed.

27. ISSUE: What is the appropriate revenue requirement?

POSITIONS

CONTINENTAL:

HOMEOWNERS: No position at this time.

PUBLIC COUNSEL: The proper revenue requirement for this utility is:

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	<u>WATER</u>	<u>SEWER</u>
	\$ 93,361	\$114,490

STAFF: No position at this time.

28. ISSUE: What other adjustments are appropriate for this proceeding?

POSITIONS

CONTINENTAL: The utility is not aware of any other adjustment that are appropriate for this proceeding.

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: Yes. The following adjustments should be made to operating expenses.

	<u>WATER</u>	<u>SEWER</u>
Wages and Salaries		\$ 7,760
Cost of Cap. Model	\$(2,336)	\$(2,336)
Review nonutil. matters	\$( 554)	\$( 553)
Car Insurance	\$(1,116)	\$(1,116)
Purchased Power Exp.	\$(6,945)	
	_____	_____
Total	\$(10,951)	\$ 3,756

STAFF: No position at this time.

Rates and Charges Issues:

29. ISSUE: Should meter installation charges be approved for all meter sizes?

POSITIONS

CONTINENTAL: Yes.

HOMEOWNERS: No position.

PUBLIC COUNSEL: In the event that meter installation charges are approved, rate base should be decreased accordingly.

STAFF: Yes.

30. ISSUE: What final service availability charges should be approved?

POSITIONS

CONTINENTAL: The utility has no position at this time.

HOMEOWNERS: No position.

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**PUBLIC COUNSEL:** No position, however, the charges should be reflective of the used and useful approved.

**STAFF:** A service availability policy and charges should be approved which comply with the provisions of Rule 25-30.580, Florida Administrative Code.

31. **ISSUE:** Should the utility's requested miscellaneous service charges be approved?

**POSITIONS**

**CONTINENTAL:** Yes.

**HOMEOWNERS:** Adopts Public Counsel's position.

**PUBLIC COUNSEL:** No position pending customer testimony.

**STAFF:** Miscellaneous service charges should be approved for the utility pursuant to Staff Advisory Bulletin No. 13 Second Revised.

32. **ISSUE:** Should the utility's requested customer deposits be approved?

**POSITIONS**

**CONTINENTAL:** Yes.

**HOMEOWNERS:** Adopts Public Counsel's position.

**PUBLIC COUNSEL:** No position pending customer testimony.

**STAFF:** Customer deposits should be approved pursuant to Rule 25-30.311, Florida Administrative Code.

33. **ISSUE:** What gallonage cap should be used for wastewater?

**POSITIONS**

**CONTINENTAL:** Residential - 6000.  
General Service - no cap.

**HOMEOWNERS:** No position.

**PUBLIC COUNSEL:** No position pending customer testimony.

**STAFF:** No position at this time.

34. **ISSUE:** What bills and gallons should be used to determine the base facility charge and gallonage charge for water and wastewater?

**POSITIONS**

**CONTINENTAL:**

	<u>Water</u>	<u>Sewer</u>
<b>Annual Bills</b>		
Residential	10,014	10,014
General Service		
5/8 x 3/4"	84	84
3"	12	12
6"	12	12

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Gallons

Residential	75,105m	35,049m
General Service		
5/8 x 3/4"	630m	294m
3"	1440m	672m
6"	5556m	5556m

HOMEOWNERS: Adopts Public Counsel's position.

PUBLIC COUNSEL: The bills and gallons used to set rates should be the same as those employed in the used and useful calculation.

STAFF: No position at this time.

35. ISSUE: What final rates should be approved for water and wastewater?

POSITIONS

CONTINENTAL:

Water

Residential		
5/8 x 3/4"		
Base Facility Charge		\$ 11.97
Charge per 1000 gallons		1.61
General Service		
5/8 x 3/4"		
Base Facility Charge		\$ 11.97
Charge per 1000 gallons		1.61
3"		
Base Facility Charge		\$191.52
Charge per 1000 gallons		1.61
6"		
Base Facility Charge		\$598.50
Charge per 1000 gallons		1.61

Wastewater

Residential		
5/8 x 3/4"		
Base Facility Charge		\$ 10.54
Charge per 1000 gallons		2.61
General Service		
5/8 x 3/4"		
Base Facility Charge		\$ 10.54
Charge per 1000 gallons		2.61
3"		
Base Facility Charge		\$168.64
Charge per 1000 gallons		2.61
6"		
Base Facility Charge		\$527.00
Charge per 1000 gallons		2.61



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**HOMEOWNERS:** Adopts Public Counsel's position. Also, see basic position.

**PUBLIC COUNSEL:** The final rates set in this case should be based on revenue requirements which do not include depreciation expense nor a return on investment.

**STAFF:** No position at this time.

#### STIPULATIONS

The Public Counsel's positions on Issues 20 and 21 are that the Commission should assign a zero return on equity and a zero cost of capital for this utility. However, to the extent that the Commission establishes a rate base and allows a return for the utility, the parties have stipulated to the use of the leverage graph in effect on the date of the Commission's vote on this matter.

#### EXHIBITS

<u>Witness</u>	<u>Proffered By</u>	<u>Exhibit No.</u>	<u>Description</u>
George MacFarlane	Continental	1	Mac-1- Continental's MFRs Document
George MacFarlane	Continental	2	Mac-2- Composite Exhibit-Responses to Staff's 1st and 2nd Sets of Interrogatories
George MacFarlane	Continental	3	Mac-3- The sales contract between Continental and the Homeowners
George MacFarlane	Continental	4	Mac-4- Updated Rate Case Expense Exhibit
George MacFarlane	Continental	5	Mac-5- Billing analyses of representative parks and Continental's billing information
George MacFarlane	Homeowners	6	Mac-6- George MacFarlane's transcript of depositions and testimony from Continental v. James Savoie
George MacFarlane	Staff	7	Mac-7- Staff Advisory Bulletin No.13-Second Revised

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George MacFarlane	Staff	8	Mac-8- Composite Exhibit-Staff Recommendation dated December 21, 1988, and Order No. 20639 (regarding suspension of rates) and service availability charges schedule updated based on Responses to Staff's Second Set of Interrogatories
George MacFarlane	Staff	9	Mac-9- Composite Exhibit-Transcript of MacFarlane Deposition and all exhibits requested at deposition (supplied at deposition and filed later)
John W. Springstead	Continental	10	Sp-1- Additions-to-Plant-in-Service Document
Charles Noll	Homeowners	11	No-1- Amended and Restated Declaration of Restrictions
Charles Noll	Homeowners	12	No-2- Final Judgment in Continental v. James Savoie
Charles Noll	Homeowners	13	No-3- Appellate decision
Charles Noll	Homeowners	14	No-4- Composite Exhibit-Special Maintenance Agreements
David J. Effron	OPC	15	Ef-1- Composite Exhibit-Schedule Sections I and II attached to his Prefiled Testimony
David J. Effron	OPC	16	Ef-2- Statement of Qualifications attached to his Prefiled Testimony
David J. Effron	OPC	17	Ef-3- Staff Audit Report
David J. Effron	OPC	18	Ef-4- Staff Audit Work Papers, underlying documentation

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David J. Effron	OPC	19	Ef-5- All exhibits listed by other parties
David J. Effron	OPC	20	Ef-6- Transcripts of all depositions taken in this case and exhibits
David J. Effron	OPC	21	Ef-7 - All documents included in Intervenor-Residents' amended petition to intervene
Harry DeMeza	OPC	22	De-1- Site visit photos taken by Harry DeMeza
Rebuttal purposes	OPC	--	Any document necessary for rebuttal or impeachment (including George MacFarlane's circuit court deposition transcript)

Staff reserves the right to introduce exhibits for the purpose of cross-examination, including all the exhibits identified by all of the parties in this Prehearing Order, as well as the interrogatory responses and documents produced by Continental, and the transcript of George MacFarlane's deposition, in the event that such exhibits are not introduced by the other parties first.

PENDING MATTERS

CONTINENTAL: There are no pending motions or other matters which Continental Country Club, Inc. seeks action upon.

STAFF:

The Office of Public Counsel filed, on April 17, 1989, a Motion to Limit Issues of Fact or in the Alternative Motion for Summary Judgment and Request for Hearing and a Motion in Request of Oral Argument. The Prehearing Officer announced that oral argument will be heard on these motions at the outset of the hearing scheduled for May 31 and June 1, 1989.

RULINGS

Commissioner Gunter, as the Prehearing Officer, granted oral argument to the Continental Community Resident Homeowners' Association, Inc., on its motion entitled Intervenor's Motion

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to Abate or Stay Proceedings, filed on April 24, 1989. The Prehearing Officer denied the motion on the grounds that Section 367.081, Florida Statutes, requires that the Commission process Continental Country Club, Inc.'s application within eight months, unless the eight months statutory deadline is waived by the utility.

Based upon the foregoing, it is

ORDERED by Commissioner Gerald L. Gunter, 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 Gerald L. Gunter as Prehearing Officer, this 25th day of MAY, 1989.

  
GERALD L. GUNTER, Commissioner  
and Prehearing Officer

( S E A L )

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