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May 22, 1991

Mr. Steve Tribble
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

Re: **Docket No. 900816-WS**, Petition for Rate Increase in Martin
County by SAILFISH POINT UTILITY CORPORATION

Dear Mr. Tribble:

Enclosed are the original and 12 copies of the Prehearing
Statement to be filed on behalf of Sailfish Point Utility
Corporation.

Thank you for your assistance.

Sincerely yours,



Ben E. Girtman

BEG/sw

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DOCUMENT NUMBER DATE

05213 MAY 22 1991

DIVISION OF RECORDS AND REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate)
increase in Martin County by)
SAILFISH POINT UTILITY CORP.)
_____)
Docket No. 900816-WS
Submitted for filing:
May 22, 1991

PREHEARING STATEMENT
SUBMITTED ON BEHALF OF PETITIONER,
SAILFISH POINT UTILITY CORPORATION

COMES NOW Petitioner, SAILFISH POINT UTILITY CORPORATION, by
and through its undersigned counsel, and files this Prehearing
Statement in accordance with Order No. 24136:

1. The name and address of all known witnesses that may be called
by the party, and the subject matter of their testimony:

<u>Name and Address</u>	<u>Subject Matter</u>
Frank Seidman Management & Regulatory Consultants 11380 Prosperity Farms Rd. #211 Palm Beach Gardens, FL 33410	MFRs, Revenue Requirement, Used and Useful, Income, and Rebuttal Witness
William D. Reese 3003 S. Congress Avenue Suite 1E Palm Springs, FL 33461	Quality of Service, Engineering, Environmental Matters, and Rebuttal Witness
Joe A. O'Gorman Sailfish Point Utility Corp. Admiralty Bldg. Suite 601, 4440 P.G.A. Blvd. Palm Bch Gardens, FL 33410-6584	Rebuttal Witness
Mr. Thomas J. Palmieri 801 Brickell Avenue 14th Floor Miami, FL 33131	Rebuttal Witness

2. A description of all known exhibits that may be sponsored by the party, their contents, whether they may be identified on a composite basis, and the witness sponsoring each:

* Composite Exhibit

<u>Exhibit No.</u>	<u>Contents</u>	<u>Witness</u>
*FS-1 ___	Original MFRs consisting of 3 volumes	Seidman
*FS-2 ___	Affidavit of Mr. C.T. Olson	Seidman

3. A statement of basic position in the proceeding:

Petitioner: Because of the environmental sensitivity of the service area, the cost of service is higher than for most other utilities. The service area is an exclusive residential development with supporting amenities. The Petitioner is currently operating at a loss. It requests a rate increase, to be implemented in two steps: Breakeven rates to be implemented upon entry of the final order, with the second step to be effective January 1, 1992, which would produce only a 5.49% rate of return on rate base, or half the level of rates to which it is entitled.

4. A statement of each question of fact the party considers at issue, the party's position on each such issue and which of the party's witnesses will address the issue:

Issue 1: Is the quality of service satisfactory?

Petitioner's position: Yes.

Issue 2: Should a margin reserve be included in the used and useful calculation?

Petitioner's position: Yes.

Issue 3: Is the unaccounted for water excessive?

Petitioner's position: No. During the historic year, additional flushing was required during the break-in phase of the calcite contactor. Historic and projected years were adjusted to reflect the normal level of unaccounted for water at 15%.

Issue 4: What are the appropriate used and useful percentages for the utility's water and wastewater treatment, distribution, and collection systems?

Petitioner's position:

<u>Account</u>	<u>Description</u>	<u>Percent Used & Useful</u>
<u>WATER</u>		
304-320	Production, treatment and pumping	100%
330	Storage	93.92%
331	Transmission and distribution mains	75.17%
303, 334-348	All others	100%
<u>WASTEWATER</u>		
370-381	Treatment and disposal	93.9%
361	Collection	75.17%
353, 391-398	All others	100%

Issue 5: What are the appropriate adjustments to reflect non-used and useful utility plant-in-service?

Petitioner's position: Water \$184,985; wastewater \$298,966.

Issue 6: Are the utility's books and records in compliance with the Commission's Rules and Regulations?

Petitioner's position: Yes.

Issue 7: Should there be an imputation of CIAC to offset margin reserve?

Petitioner's position: No.

Issue 8: Should adjustments be made to CIAC, Accumulated Amortization of CIAC, Retained Earnings, and Water Amortization Expense for meter fees collected but not recorded in a prior period?

Petitioner's position: Yes. The changes are already reflected in the MFRs.

Issue 9: Should income taxes on contributions-in-aid-of-construction (CIAC) be capitalized in rate base?

Petitioner's position: Yes.

Issue 10: Should prepaid CIAC be included in rate base?

Petitioner's position: No.

Issue 11: What is the appropriate amount of working capital to be included in rate base?

Petitioner's position: Water \$29,786; wastewater \$20,781.

Issue 12: What is the appropriate level of test year rate base?

Petitioner's position: Water \$1,609,063, wastewater \$1,422,664.

Issue 13: What is the cost of common equity capital?

Petitioner's position: 12.14% based on the parent's equity ratio.

Issue 14: What is the appropriate capital structure for ratemaking purposes for SPUC?

Petitioner's position: Parent.

Issue 15: What is the weighted average cost of capital including the proper components, amounts, and cost rates

associated with the capital structure for the test year ended June 30, 1989?

Petitioner's position: 9.87% based on the parent's equity ratio and debt cost.

Issue 16: Should investment tax credits (ITCs) be included in the capital structure?

Petitioner's position: No position at this time.

Issue 17: What is the appropriate balance of accumulated deferred taxes?

Petitioner's position: \$456,001.

Issue 18: Should salaries expense associated with construction and installation of plan be capitalized?

Petitioner's position: Yes, as reflected in the MFRs.

Issue 19: Are intercompany expense allocations appropriate?

Petitioner's position: Yes.

Issue 20: Should revenue and expenses associated with Property Owners Association workorders be included above the line?

Petitioner's position: Expenses and revenue should be matched either above or below the line.

Issue 21: Should proforma miscellaneous revenues be reduced to correct an inadvertent overstatement?

Petitioner's position: Yes. Water miscellaneous revenue should be reduced by \$4,618.

Issue 22: Should the utility's purchased power and chemical expense be adjusted for unaccounted for water?

Petitioner's position: Yes. See Issue 3.

Issue 23: What is the appropriate annual rate case amortization expense?

Petitioner's position: Estimated \$40,043 per year for 4 years allocated 50/50 to water and wastewater. To be updated at the time of final hearing based upon actual amounts.

Issue 24: Should the company charge to guideline depreciation rates per Rule 25-30.140, Florida Administrative Code?

Petitioner's position: Yes.

Issue 25: Should the regulatory assessment fee be adjusted to allow for the increase from 2.5% to 4.5%?

Petitioner's position: Yes.

Issue 26: What is the appropriate amount of income tax expense?

Petitioner's position: At full authorized return; water \$53,871, wastewater \$47,427.

Issue 27: What is the appropriate level of test year operating income?

Petitioner's position: At full authorized return; water \$158,863, wastewater \$140,460.

Issue 28: What is the total revenue requirement?

Petitioner's position: At full authorized return; water \$572,814, wastewater \$477,580.

Issue 29: Should the utility charge for effluent used to irrigate the golf course?

Petitioner's position: No.

Issue 30: Should the utility be authorized to implement miscellaneous service charges as specified in Staff Advisory Bulletin No. 13, 2nd revised?

Petitioner's position: Yes.

Issue 31: Is the utility's existing service availability policy in compliance with Rule 25-30.580, Florida Administrative Code?

Petitioner's position: Yes.

Issue 32: Should the interim rates be refunded?

Petitioner's position: No.

Issue 33: What are the appropriate water and wastewater rates?

Petitioner's position: See Schedule E1 of the MFRs.

Issue 34: What should be the tariff effective date?

Petitioner's position: No position at this time.

Issue 35: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense?

Petitioner's position: \$20,022 water and \$20,022 wastewater, based upon current estimates of rate case expense.

Issue 36: What specific adjustments does the intervenor seek to have made in the Utility's rate base, and what is the justification for each adjustment?

Petitioner's position: Unknown.

Issue 37: What specific adjustments does the intervenor seek to have made in the Utility's operating expenses, and what is the justification for each adjustment?

Petitioner's position: Unknown.

Issue 38: What specific adjustments does the intervenor seek to have made in the Utility's operating income, and what is the justification for each adjustment?

Petitioner's position: Unknown.

Issue 39: What specific adjustments does the intervenor seek to have made, (other than for rate base or operating income and expenses as covered in the three preceding issues), and what is the justification for each adjustment?

Petitioner's position: Unknown.

Issue 40: Should the docket be closed?

Petitioner's position: No position at this time.

5. A statement of each question of law the party considers at issue, the party's position on each such issue and which of the party's witnesses will address the issue:

Petitioner's position: None at this time.

6. A statement of each policy question the party considers at issue, the party's position on each such issue and which of the party's witnesses will address the issue:

Petitioner's position: None at this time.

7. A statement of issues that have been stipulated to by the parties:

Petitioner's position: None at this time.

8. A statement of all pending motions or other matters the party seeks action upon:

Petitioner currently has pending before the Commission the following motions:

Motion to Expedite Discovery dated May 10, 1991.

9. A statement as to any requirement set forth in this order that cannot be complied with, and the reasons therefore:

Petitioner's position: None of which we are presently aware. Petitioner believes that it has met all requirements of Prehearing Order No. 24136.

Respectfully submitted,



Ben E. Girtman
Suite 207
1020 E. Lafayette Street
Tallahassee, FL 32301
904/656-3232

Attorney for Petitioner,
Sailfish Point Utility
Corporation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been sent to Mr. Stephen C. Reilly, Office of Public Counsel, 111 West Madison Street, 812 Claude Pepper Building, Tallahassee, FL 32399-1400, Wm. Reeves King, Esq., 500 Australian Avenue So., Suite 600, Clearlake Plaza, West Palm Beach, FL 33401, and Catherine Bedell, Esq., Florida Public Service Commission, Division of Legal Services, 101 East Gaines Street, Tallahassee, FL 32399-0873 by U.S. Mail, this 22nd day of May, 1991.



Ben E. Girtman

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for Rate Increase) **Docket No.: 900816-WS**
in Martin County by SAILFISH POINT) Submitted for filing:
UTILITY CORPORATION) May 22, 1991

NOTICE OF SERVICE
OF RESPONSES BY UTILITY
TO STAFF'S FIRST REQUEST FOR PRODUCTION OF DOCUMENTS

COMES NOW, Sailfish Point Utility Corporation, Petitioner for a rate increase in the above styled proceeding, and states that:

1. Sailfish Point Utility Corporation herewith files its Responses to Staff's First Request for Production of Documents, including Requests Nos. 1-6.

2. In Request No. 4, the 12/31/90 capital structures of Sailfish Point, Inc. and of Mobil Land Development Corporation are not included herein. Efforts are being made to acquire that information and to provide it as soon as possible.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been sent to Mr. Stephen C. Reilly, Office of Public Counsel, 111 West Madison Street, 812 Claude Pepper Building, Tallahassee, FL 32399-1400, Wm. Reeves King, Esq., 500 Australian Avenue So., Suite 600, Clearlake Plaza, West Palm Beach, FL 33401, and Catherine Bedell, Esq., Florida Public Service Commission, Division of Legal Services, 101 East Gaines Street, Tallahassee, FL 32399-0873 by U.S. Mail, this 22nd day of May, 1991.



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Attorney for Petitioner
Sailfish Point Utility Corporation