

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
FILE COPY

In Re: Application of SAILFISH
POINT UTILITY CORPORATION for a
rate increase in Martin County)
)
)
)

Docket No. 900816-WS
Filed: May 24, 1991

CITIZENS' PREHEARING STATEMENT

Pursuant to Commission Rule 25-22.038(3), Florida Administrative Code, and Order No. 24136, issued February 19, 1991, the Citizens of the State of Florida ("Citizens") by and through their undersigned attorney, file this Prehearing Statement and state:

a. Witnesses

Subject Matter

Thomas C. DeWard
Senior Regulator Analyst
Larkin & Associates
15728 Farmington Road
Livonia, Michigan 48154

All issues except
those exclusively
reserved for witness
Harry DeMeza

Harry DeMeza
Chief Civil Design Engineer
Southern Engineering Company
1800 Peachtree Street, N.W.
Atlanta, Georgia 30367-8301

Engineering and used
and useful issues

- ACK
- AFA
- APR
- CIF
- CMU
- CTR
- EAC
- LEG
- LIT
- OSC
- RH
- SEC
- WS
- C.

b. Exhibits

Thomas C. DeWard

Contents

Composite Exhibit

Qualifications

Appendix I

- Schedule 1 Rate Base
- Schedule 2 Net Operating Income
- Schedule 3 Capital Structure
- Schedule 4 Proposed Adjustments

No. _____ (TCD-1)

DOCUMENT NUMBER-DATE

05293 MAY 24 1991

PSC-RECORDS/REPORTING

Schedule 5	Non Used and Useful
Schedule 6	Non Used and Useful (Continued)
Schedule 7	Rate Case Expense
Schedule 8	Property Tax Expense

Harry DeMeza

	<u>Contents</u>	<u>Composite Exhibit</u>
Schedule 1	Water-ERC Calculations	No. _____ (HDM-1)
Schedule 2	Sewer-ERC Calculations	
Schedule 3	Water Treatment-Used & Useful, 6/90	
Schedule 4	Water Distribution-Used & Useful, 6/90	
Schedule 5	Water Treatment-Used & Useful, 6/91	
Schedule 6	Water Distribution-Used & Useful, 6/91	
Schedule 7	Water Treatment-Used & Useful, 6/92	
Schedule 8	Water Distribution-Used & Useful, 6/92	
Schedule 9	Sewer Treatment-Used & Useful, 6/90	
Schedule 10	Sewer Collection-Used & Useful, 6/90	
Schedule 11	Sewer Treatment-Used & Useful, 6/91	
Schedule 12	Sewer Collection-Used & Useful, 6/91	
Schedule 13	Sewer Treatment-Used & Useful, 6/92	
Schedule 14	Sewer Collection-Used & Useful, 6/92	

c. Basic Position

Sailfish Point Utility Corporation's ("utility" or "SPUC") request for a rate increase is excessive and unjustified. Sailfish Point has overstated its rate base, operation and maintenance expenses and has mischaracterized its capital structure. The

utility's attempt to use Mobil Corporation's capital structure is totally inappropriate and could allow the utility to earn a return on an artificial capital structure which is not representative of the conditions which exist at the utility. For approximately a decade Mobil Corporation and its subsidiaries have supplied cost-free advances to the utility from funds generated from the sale of lots in Sailfish Point to help finance construction and operation of the utility subsidiary. The arrangement to provide cost-free advances to the utility was acceptable to the developer as there was no attempt to convert these advances to permanent capital or to interest bearing loans. The only exception to this practice was the one loan given in 1983 when Sailfish Point, Inc. ("SPI") transferred to the utility, utility plant which had been constructed to that date. The provision of these cost-free advances to the utility is just another cost of business which the developer has willingly provided for the past decade. The rules should not, and cannot be changed at this point in time which will allow the utility to earn an artificial return on a capital structure which does not, or has not, ever existed.

d.- g. Issues of Fact, Law and Policy

ISSUE 1: Is the quality of service satisfactory?

CITIZENS' POSITION: No position at this time.

ISSUE 2: Is the utility's used and useful calculations for source of supply and water treatment overstated?

CITIZEN'S POSITION: Yes.

ISSUE 3: Is the utility's used and useful calculations for water transmission and distribution and general plant overstated?

CITIZENS' POSITION: Yes.

ISSUE 4: Is the utility's used and useful calculations for wastewater collection and pumping plant overstated?

CITIZENS' POSITION: Yes.

ISSUE 5: Is the utility's used and useful calculations for wastewater treatment and disposal and general plant overstated?

CITIZENS' POSITION: Yes.

ISSUE 6: Should a margin reserve be included in the calculation of used and useful?

CITIZENS' POSITION: No. The inclusion of a margin reserve introduces costs associated with growth for recovery from current ratepayers. Current ratepayers should not be forced to pay for plant which is not serving them.

ISSUE 7: If the Commission allows a margin reserve should it adopt the utility's allowance?

CITIZENS' POSITION: No. The utility has deviated from the five-year average method recommended by Staff. The utility's method overstates customer growth in Sailfish Point.

ISSUE 8: If the Commission allows a margin reserve as an element of the used and useful percentage should there be a corresponding increase in the amount of CIAC associated with the margin reserve?

CITIZENS' POSITION: Yes.

ISSUE 9: Is the utility's provision for fire flow correct?

CITIZENS' POSITION: No.

ISSUE 10: Are the utility's calculations to determine the number of equivalent residential connections for Sailfish Point by year for the years ending June 1990, 1991 and 1992 correct?

CITIZENS' POSITION: No.

ISSUE 11: Is the utility's calculation for projected peak day water demand correct?

CITIZENS' POSITION: No.

ISSUE 12: Has the utility improperly capitalized certain expenses resulting in an overstatement of rate base?

CITIZENS' POSITION: Yes.

ISSUE 13: To the extent there are only deferred tax debits, should they be removed from rate base and included as an offset to deferred income taxes in the capital structure?

CITIZENS' POSITION: Yes. All deferred taxes should be included in the capital structure.

ISSUE 14: Has the utility properly documented its entitlement to a working capital allowance?

CITIZENS' POSITION: No.

ISSUE 15: Has the utility properly stated accumulated depreciation?

CITIZENS' POSITION: No.

ISSUE 16: Should the early construction of utility plant by SPI be removed from rate base because the cost of this utility plant was included in the cost of developing the lots?

CITIZENS' POSITION: No position at this time.

ISSUE 17: Is it appropriate for the utility to utilize Mobile Corporation's capital structure as its own?

CITIZENS' POSITION: No. The utility's capital structure is more appropriate because it represents the actual conditions that exist and have existed since the formation of Sailfish Point Utility Corporation.

ISSUE 18: Should the utility be granted any income tax expense?

CITIZENS' POSITION: No.

ISSUE 19: How should investment tax credits be treated?

CITIZENS' POSITION: If the Commission allows any income tax expense, such expense should be offset by the amortization of investment tax credits, whether the credits were actually taken by the utility or not.

ISSUE 20: Are the allocation of expenses from affiliated companies properly documented, appropriate and reasonable.

CITIZENS' POSITION: No, No, No.

ISSUE 21: Is the replacement program for the new spiral wound membranes appropriate?

CITIZENS' POSITION: No position at this time.

ISSUE 22: Should adjustment be made to the utility's proposed rate case expense?

CITIZENS' POSITION: Yes, the utility should not be permitted to recover any of the rate case expense associated with the filing made by the company in 1989. Ratepayers should not be required to pay for any of the costs associated with a case that was dismissed. Any legal costs incurred in this proceeding in opposing the intervention of the homeowners or their duly elected

representatives should be disallowed. All other requests for rate case expense should be closely scrutinized and justified.

ISSUE 23: Is the utility's proposed depreciation expense overstated?

CITIZENS' POSITION: Yes.

ISSUE 24: Is the utility's proposed property tax expense overstated?

CITIZENS' POSITION: Yes.

h. Stipulated Issues

There are no stipulated issues at this time.

i. Pending Matters

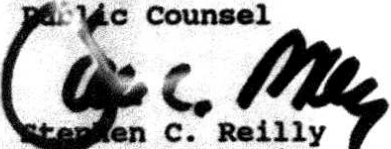
Motion to Expedite Discovery, dated May 10, 1991.

j. Requirements That Cannot Be Complied With

There are no requirements that the Citizens cannot comply with at this time.

Respectfully submitted,

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Public Counsel


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Attorneys for the Citizens
of the State of Florida

CERTIFICATE OF SERVICE
DOCKET NO. 900816-WS

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished by U.S. Mail or *hand-delivery to the following parties this 24th day of May, 1991.

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*CATHERINE BEDELL, ESQUIRE
Florida Public Service
Commission
101 E. Gaines Street
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Associate Public Counsel