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STATE OF FLORIDA

OFFICE OF THE PUBLIC COUNSEL

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JACK SHREVE
PUBLIC COUNSEL

October 16, 1992

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

Re: Docket No. 920199-WS

Dear Mr. Tribble:

Enclosed for filing in the above-captioned proceeding on behalf of the Citizens of the State of Florida are the original and 15 copies of the Citizens' Prehearing Statement.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Harold McLean
Associate Public Counsel

Enclosure

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DOCUMENT NUMBER-DATE
12161 OCT 16
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE Commission

In Re: Application for rate increase in Brevard, Charlotte/Lee, Citrus, Clay, Duval, Highlands, Lake, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, Volusia, and Washington Counties by SOUTHERN STATES UTILITIES, INC.; Collier County by MARCO SHORES UTILITIES (Deltona); Hernando County by SPRING HILL UTILITIES (Deltona); and Volusia County by DELTONA LAKES UTILITIES (Deltona)	Docket No. 920199-WS Filed: October 16, 1992

CITIZENS' PREHEARING STATEMENT

Come now the Citizens by and through JACK SHREVE, Public Counsel, (Citizens) pursuant to the provisions of Commission Rule 25-22.038(3) Fla. Admin Code and the Commission's Order Establishing Procedure issued on July 14, 1992, and submit their prehearing statement.

All Known Witnesses

1. Kimberly H. Dismukes. Ms. Dismukes will address accounting, policy, and ratemaking.

2. Victoria A. Montanaro. Ms. Montanaro will address post retirement benefits.

Prefiled Exhibits

The Citizens' two witnesses prefiled the following exhibits:

1. Ms. Dismukes:

Exhibit (KHD-1) consisting of eight schedules;

Appendix setting forth Qualifications

2. Ms. Montanaro:

V. Montanaro Exhibit No. 1	GTE letter to FASB, Nov. 9, 1989
V. Montanaro Exhibit No. 2	GTE letter to FASB, June 28, 1990
V. Montanaro Exhibit No. 3	Joint Letter July 11, 1990 to USTA re FASB conference call
V. Montanaro Exhibit No. 4	Actuarial Valuation of Current and Alternative Benefits
V. Montanaro Exhibit No. 5	Foster and Higgins Study of Health Care Benefits
V. Montanaro Exhibit No. 6	Late filed Deposition Response Hewitt and Associates
V. Montanaro Exhibit No. 7	TPF&C Survey of Discount Rates

V. Montanaro Exhibit No. 8	GTE's August 7, 1989 Letter to the FASB
V. Montanaro Exhibit No. 9	Goodwin's comments FASB's ED November 3, 1989
V. Montanaro Exhibit No. 10	Proposed Actuarial Compliance Guideline for SFAS 106
V. Montanaro Exhibit No. 11	Special Edition-Management Report

Statement of Basic Position

The rates proposed by Southern States Utilities, Inc. are excessive. The case presented by Southern States fails to sustain the Company's burden of proof in that it fails to show that the rates currently charged are unreasonable.

ISSUES AND POSITIONS

LEGAL

ISSUE 1.: **Do the pronouncements of the Financial Accounting Standards Board legally compel the Commission to any specific accounting methodology for rate making procedures under Florida Statutes?**

OPC: No. Pronouncements of the Financial Accounting Standards Board are intended for purposes other than the economic regulation of utilities in the State of Florida and are merely advisory.

ISSUE 2.: **May the Commission substitute SFAS 106 as the standard by which it judges whether Company expenses are incurred, and if incurred, whether reasonably incurred?**

OPC: No. The Commission is required to critically examine all expenses incurred by the company, irrespective of whether they are addressed in SFAS 106, to determine whether they are reasonably incurred. The Commission cannot delegate any part of its jurisdiction to the Financial Accounting Standards Board.

ISSUE 3.: **Are SSU's alleged OPEB obligations certain enough to justify recovery of expenses related thereto?**

OPC: No. The Commission has a statutory obligation to determine whether an identified expense will actually be incurred. Contingent obligations to employees (which the company seeks through the operation of SFAS 106) are subject to change within the period during the rates approved in this case will be charged to customers.

ISSUE 4.: **Does SSU's requested recovery of the transition adjustment violate the prohibition against retroactive ratemaking?**

OPC: Yes. The transition is, in essence, a request by the utility to recover expenses which it incurred in prior periods.

QUALITY OF SERVICE

EVERY SYSTEM

ISSUE 5.: **Is the quality of service provided by the utility satisfactory?**

OPC: No position at this time.

ISSUE 6.: **What adjustments should be made and what corrective action should the Commission require for those systems that are not currently meeting Department of Environmental Regulation standards?**

OPC: No position at this time.

RATE BASE

GENERAL

ISSUE 7.: **Should a margin reserve be included in the calculations of used and useful plant?**

OPC: No. A margin reserve should not be included in the calculations of used and useful plant. The capacity associated with margin reserve should be paid for by future customers, not present customers.

ISSUE 8.: **What is the appropriate method for calculating margin reserve?**

OPC: Citizen's disagree with including a margin reserve in the calculation of used and useful. Nevertheless, if the Commission grants a margin reserve, the Company's method should not be accepted. The five year historical growth rate used by the Company is not always indicative of the growth in ERCs that will transpire in the future. An evaluation should be made of the historical growth rates for applicability to the future. Where a deviation exists, the projected number of ERCs should be used, not the ERCs resulting from the application of an historical growth rate to 1991 ERCs. (Dismukes)

ISSUE 9.: **What is the appropriate method for calculating used and useful?**

OPC: The Company's assumption that its distribution and collection systems are 100% used and useful due its economies of scale should be rejected. The Company has provided no evidence even attempting to substantiate its argument. Moreover, any economy of scale potentially available to existing customers is of no benefit to existing customers until, and if, new customers connect to the system. The Commission should continue with past precedent and use lots served versus lots available for determining the percentage of the Company's distribution and collection system that is used and useful.

ISSUE 10.: **What is an acceptable level of unaccounted-for water?**

OPC: The acceptable level of unaccounted-for water is 10% of less.

ISSUE 11.: **For those systems where a margin reserve is included in the used and useful calculation, should CIAC be imputed as an offsetting measure?**

OPC: Yes. If the Commission grants the Company a margin reserve, CIAC should be imputed on this margin reserve.

<u>ISSUE 12.:</u> **What is the appropriate method for allocating general plant, and are any adjustments necessary?**

OPC: General plant should be allocated using a weighted allocation factor consisting of 50% ERCs and 50% direct labor. OPC was unable to develop an adjustment due to discovery difficulties. (Dismukes)

<u>ISSUE 13.:</u> **Is an adjustment necessary to allocate a portion of the Company's general plant to its acquisition efforts?**

OPC: Yes. The Company's general plant should be reduced by $241,407. The associated accumulated depreciation should be reduced by $75,922. (Dismukes)

<u>ISSUE 14.:</u> **Has the Company properly allocated general plant common costs to its gas merchandising and jobbing operations?**

OPC: No position at this time, awaiting response to discovery.

<u>ISSUE 15.:</u> **Should the Commission allow the utility's $1,007,212 addition to computer equipment in 1991, and if not, what adjustments should be made?**

OPC: No position at this time.

<u>ISSUE 16.:</u> **Should the Commission allow the utility's proposed adjustment to reduce accumulated depreciation for the retirement of computer software?**

OPC: Yes.

ISSUE 17.: **Should the rate base provision for deferred income taxes be reduced to the extent prepaid amounts (debit accounts) correspond to interim rates from Docket No. 900329-WS which are to be refunded?**

OPC: No position at this time.

ISSUE 18.: **What is the appropriate method for allocating deferred income taxes related to CIAC?**

OPC: No position at this time.

ISSUE 19.: **Should deferred taxes related to CIAC gross-up charges be allocated based on CIAC collected?**

OPC: No position at this time.

ISSUE 20.: **Should deferred income taxes related to post-retirement benefits be included in rate base?**

OPC: If the Company uses a tax advantaged VEBA there will be no deferred tax impact associated with post-retirement benefits calculated under SFAS 106. If post-retirement costs are calculated using a pay as you go method, then there would be no deferred tax impact. There should be no deferred tax impact relating to OPEBs.

ISSUE 21.: **If the Commission adopts SFAS 106 for ratemaking purposes, what is the appropriate treatment of the unfunded liability for post-retirement benefits other than pensions?**

OPC: SFAS 106 is an inappropriate method for measuring post-retirement benefits for ratemaking purposes. If, however, the Commission adopts this methodology, the amount of the unfunded liability should be reflected in the capital structure as a zero cost source of funds. If it is the intent of the Commission to reduce rate base by the amount of the unfunded liability, then the final order should reflect that intent and outline how the increasing unfunded liability will reduce rate base in the future. (Montanaro)

ISSUE 22.: **What is the appropriate method for calculating working capital?**

OPC: The appropriate method for calculating working capital is the balance sheet approach.

ISSUE 23.: **Should the unamortized portion of the gain on the sale of St. Augustine Shores and University Shores be included as an offset to rate base?**

OPC: Yes. For the St. Augustine Shores gain, the Company's rate base should be reduced by $1,950,477. For the University Shores gain, the rate base attributed to the University Shores wastewater system should be reduced by $105,537.

ISSUE 24.: **Should negative acquisition adjustment(s) be made to rate base?**

OPC: Yes. The Commission can not allow a return on investment which was not actually made in providing utility service to customers.

SYSTEM SPECIFIC

Citrus County

ISSUE 25.: **Have the proper plant retirements been made for the Rolling Green water treatment plant, and, if not, what adjustments are necessary?**

OPC: No position at this time.

ISSUE 26.: **Should Rosemont and Rolling Green be considered one system for rate making purposes, and if not, how should the rate base improvements at Rosemont be shared between the two systems' customers?**

OPC: No position at this time.

ISSUE 27.: **What adjustments should be made for the Golden Terrace water treatment plants that are expected to be taken off line as a result of the interconnection with the City of Zephyrhills?**

OPC: No position at this time.

Clay County

ISSUE 28.: **Should the no. 2 well at Keystone Heights be included in the used-and-useful calculation?**

OPC: No position at this time.

Lake County

ISSUE 29.: **Are the water plant additions at Quail Ridge classified in the proper accounts, and, if not, what are the appropriate classifications?**

OPC: No position at this time.

ISSUE 30.: **Is the $39,472 water plant addition to Account No. 310.2, Power Generation Equipment, at Venetian Village properly classified, and, if not, what are the appropriate adjustments?**

OPC: No position at this time.

ISSUE 31.: **Should the utility be required to install a second well for the Fern Terrace water system?**

OPC: No position at this time.

ISSUE 32.: **Is all of the plant at Grand Terrace classified in the correct NARUC accounts?**

OPC: No position at this time.

Marion County

ISSUE 33.: **Are the three wastewater plant tanks at Salt Springs properly booked?**

OPC: No position at this time.

ISSUE 34.: **Was the old water plant at Salt Springs properly retired, and if not, what adjustments are appropriate?**

OPC: No position at this time.

Martin County

ISSUE 35.: **Should those plant improvements at Fox Run not required by Order No. 21408 be included in the rate base?**

OPC: No position at this time.

ISSUE 36.: **Should the purchased storage shed at the Fox Run water plant be capitalized?**

OPC: No position at this time.

ISSUE 37.: **Should the Fox Run wastewater treatment facilities be retired when the Martin County system is available to interconnect, and, if so, what are the appropriate adjustments?**

OPC: No position at this time.

Putnam County

ISSUE 38.: **What adjustments should be made related to the River Park water plant abandonment?**

OPC: Prudent abandoned plant costs should be amortized over 15 years. Any salvage value, including the value of land associated with the plant, should offset the investment in the abandoned plant. Costs associated with imprudent plant abandonment should not be recovered from ratepayers. Nonrecurring expenses included in the test year results should be removed.

ISSUE 39.: **Should an adjustment be made to exclude the River Park no. 2 plant from used and useful?**

OPC: No position at this time.

ISSUE 40.: **What adjustments should be made for the new equipment added to the Silver Lake Oaks system?**

OPC: No position at this time.

ISSUE 41.: **Should Hermits Cove and St Johns Highlands be considered one system for ratemaking purposes?**

OPC: No position at this time.

ISSUE 42.: **Should Interlachen Lake Estates and Park Manor be considered one system for ratemaking purposes?**

OPC: No position at this time.

ISSUE 43.: **Should Saratoga Harbor and Welaka be considered one system for ratemaking purposes?**

OPC: No position at this time.

Volusia County

ISSUE 44.: **Should the expenses for the program to clean and seal the collection system and correct the infiltration problem at Jungle Den be capitalized?**

OPC: These costs, $14,327, should be considered nonrecurring and excluded from the test year operating expenses.

ISSUE 45.: **Is infiltration for the Jungle Den wastewater system excessive, and, if so, what adjustments are appropriate?**

OPC: No position at this time.

ISSUE 46.: **What is the fire flow requirement for the Deltona Lakes system?**

OPC: No position at this time.

ISSUE 47.: **Should an adjustment be made to reduce land for Company's write-down of Deltona Lakes land subsequent to the test year?**

OPC: Yes. The land for Deltona Lakes should be reduced by $30,000.

EVERY SYSTEM

ISSUE 48.: **Should plant-in-service be adjusted?**

OPC: Plant in service should be adjusted based upon the resolution of the issues identified during the course of this proceeding.

ISSUE 49.: **Which systems should be allowed a margin reserve in used-and-useful and in what amount?**

OPC: No margin reserve should be granted for any system. However, if the Commission grants a margin reserve the following systems' margin reserves should be changed relative to the Company's request, based upon the methodology discussed in the testimony of Ms. Dismukes. (Dismukes)

Water
Amelia Island
Beacon Hills
Beechers Point
Burnt Store
Carlton Village
Deltona
Fountains
Gospel Island
Lake Ajay Estates
Marion Oaks
Palisades
Pine Ridge
Quail Ridge
Rolling Green
Spring Hill
Sunny Hills
University Shores
Venetian Village
Zephyr Shores

Wastewater

Beacon Hills
Burnt Store
Florida Commerce Park
Fox Run
Marco Shores
Point O' Woods
Salt Springs
Spring Hills
Zephyr Shores

ISSUE 50.: **Which systems have excessive unaccounted-for water and what adjustments are appropriate as a result?**

OPC: OPC has no position at this time concerning the systems that have excessive unaccounted-for water. However, for those systems which do have excessive unaccounted-for water, an adjustment should be made to the used and useful calculations such that customers do not pay a return on facilities which are not used for providing service to the end user.

ISSUE 51.: **Which systems have excessive infiltration and what adjustments are appropriate as a result?**

OPC: OPC has no position at this time concerning the systems that have excessive infiltration. However, for those systems which do have excessive infiltration, an adjustment should be made to the used and useful calculations such that customers do not pay a return on facilities which are used to treat infiltration which is excessive.

ISSUE 52.: **Which water systems are devoting fire flow capacity to connect new customers, and what action should the Commission take as a result?**

OPC: No position at this time.

ISSUE 53.: **Which systems should include a fire flow allowance in used-and-useful and in what amount?**

OPC: No position at this time.

ISSUE 54.: **What are the used-and-useful percentages for the water treatment facilities?**

OPC: The final used and useful percentages are subject to the resolution of other issues.

ISSUE 55.: **What are the used-and-useful percentages for the water distribution systems?**

OPC: The final used and useful percentages are subject to the resolution of other issues.

ISSUE 56.: **What are the used-and-useful percentages for the wastewater treatment facilities?**

OPC: The final used and useful percentages are subject to the resolution of other issues.

ISSUE 57.: **What are the used-and-useful percentages for the wastewater collection systems?**

OPC: The final used and useful percentages are subject to the resolution of other issues.

ISSUE 58.: **Should accumulated depreciation be adjusted?**

OPC: The final amount is subject to the resolution of other issues.

<u>ISSUE 59.:</u> **Should CIAC be adjusted?**

OPC: The final amount is subject to the resolution of other issues.

<u>ISSUE 60.:</u> **Should accumulated amortization CIAC be adjusted?**

OPC: The final amount is subject to the resolution of other issues.

<u>ISSUE 61.:</u> **What are the proper amounts for investment in land to be included in the rate bases?**

OPC: No position at this time.

<u>ISSUE 62.:</u> **What are the proper allowances for working capital?**

OPC: In the absence of an acceptable balance sheet approach to working capital, the Company's working capital should be set at $0.

<u>ISSUE 63.:</u> **What are the rate bases?**

OPC: The final amount is subject to the resolution of other issues.

COST OF CAPITAL

GENERAL

<u>ISSUE 64.:</u> **What is the appropriate rate of return on equity?**

OPC: No position at this time.

__ISSUE 65.:__ **Should the cost of debt capital be adjusted to reflect reduced interest rates for variable-cost debt components?**

OPC: Yes.

__ISSUE 66.:__ **Should the cost of debt capital be adjusted to reflect a reduced interest rate for the 15.95% fixed rate on the Company's $22,500,000 of long-term mortgage bonds?**

OPC: Yes. This fixed rate is excessive and the Company's inability to refinance the debt was the result of Deltona Utilities, Inc.'s acceptance of a contractual restriction which only allowed refinancing at the option of the bondholders. When SSU purchased the Deltona system it was either aware of this restriction or it should have been aware of this restriction. As such, the purchase price of the Deltona system should have reflected this excessive rate and worked toward the advantage of SSU in reducing the negotiated purchase price. Unless the Commission recognizes a negative acquisition adjustment resulting in part from this excessive cost of debt, the rates set for the Deltona system will be excessive. In addition, since the Company has proposed using one capital structure and overall cost of capital for all of the systems filed, it is unfair and unreasonable to pass this unreasonable cost of debt onto all of the SSU filed FPSC systems. Accordingly, the cost of debt associated with these first mortgage bonds should be reduced to a level that would have been reasonable had the bonds been refinanced by SSU after the purchase of the Deltona system--9.50% to 10.50%. In addition, this debt will be retired in December of 1994 and on a going forward basis the this high cost debt will not be incurred in the future.

__ISSUE 67.:__ **What is the appropriate cost rate for deferred investment tax credits?**

OPC: No position at this time.

__ISSUE 68.:__ **What is the appropriate amount of accumulated deferred income taxes to be included in the capital structure?**

OPC: No position at this time.

ISSUE 69.: **What is the appropriate overall cost of capital including the proper components, amounts, and cost rates?**

OPC: The final amount is subject to the resolution of other issues.

NET OPERATING INCOME

GENERAL

ISSUE 70.: **Has the Company properly annualized test year revenue?**

OPC: No. The Company has failed to weather normalize test year revenue.

ISSUE 71.: **Should the provision for outside accounting service be reduced to reflect any projected future savings?**

OPC: Yes.

ISSUE 72.: **Should those penalties that were not deducted for income tax filing purposes be excluded for ratemaking purposes?**

OPC: No position at this time.

ISSUE 73.: **Are administrative salaries reasonable, and, if not, what adjustments are appropriate?**

OPC: No position at this time.

ISSUE 74.: **What is the appropriate method for allocating administrative and general expenses, and what adjustments are appropriate?**

OPC: Administrative and general expenses should be allocated using a weighted allocation factor consisting of 50% ERCs and 50% direct labor.

OPC was unable to develop an adjustment due to discovery difficulties. (Dismukes)

<u>ISSUE 75.</u>: **Is an adjustment necessary to allocate a portion of the Company's administrative and general expenses and general plant depreciation expense to its acquisition efforts?**

OPC: Yes. The Company's administrative and general expenses should be reduced by $106,384 and depreciation expenses should be reduced by $22,185 to reflect an allocation to the Company's acquisition efforts. Any proforma adjustments to the A&G and general plant depreciation should also reflect similar adjustments. (Dismukes)

<u>ISSUE 76.</u>: **Has the Company properly allocated administrative and general expenses to its gas merchandising and jobbing operations?**

OPC: No position at this time, awaiting response to discovery.

<u>ISSUE 77.</u>: **Are adjustments necessary for expenses charged to the Company by the Topeka Group, Inc. and Minnesota Power and Light Company?**

OPC: Yes. An adjustment is necessary to remove the Topeka Group's credit support fee charged to SSU. These fees should not be required on a going forward basis.

An adjustment is also necessary to remove the travel costs charged to the Company associated with Topeka and MPL's employees traveling between Southern States and Topeka/MPL. These costs represent a significant portion of the costs charged to SSU and do not benefit ratepayers. If SSU's parent were located in Florida these costs would not be incurred.

An adjustment is also necessary to remove costs that have been allocated to SSU from MPL in the amount of $109,050 (total company).

ISSUE 78.: **What is the appropriate allowance for rate case expense?**

OPC: No position at this time.

ISSUE 79.: **Should the Commission allow the $188,107 proforma increase to customer accounting and the $76,419 proforma increase to general expenses which the utility projects due to the acquisition of Lehigh Utilities, and, if not, what adjustments are appropriate?**

OPC: No position at this time.

ISSUE 80.: **Should the Commission allow the utility's $148,041 proforma adjustment to recapture three months of allocated Lehigh administrative and general expenses be approved, and, if not, what adjustments are appropriate?**

OPC: No position at this time.

ISSUE 81.: **Should the Commission allow the utility's $1,435,469 proforma adjustment for post-retirement benefits, and, if not, what adjustments are appropriate?**

OPC: No. (Montanaro)

ISSUE 82.: **Does FASB 106 require SSU to incur any expense which it would other wise (i.e., in the absence of FASB 106) not incur?**

OPC: No. FASB 106 requires only that where a particular kind of expense (OPEB) is incurred, it must be reported in accordance with FASB 106.

ISSUE 83.: **Should the Commission allow the utility's 3.63% escalation factor for operating and maintenance expenses other than payroll and rate case expense, and, if not, what adjustments are appropriate?**

OPC: No. The Commission should not allow any attrition adjustment. The Company has failed to provide any evidence that such an allowance is necessary.

ISSUE 84.: **Should the Commission allow the utility's 5.00% increase to payroll expense, and, if not, what adjustments are appropriate?**

OPC: No. The Commission should not allow any attrition adjustment. The Company has failed to provide any evidence that such an allowance is necessary.

ISSUE 85.: **Should the costs associated with the merger of the SSU companies be removed from test year results?**

OPC: Yes. The Company's administrative and general expenses should be reduced by $7,247. (Dismukes)

ISSUE 86.: **Should test year NOI be increased for the gain on the sale of the St. Augustine Shores system?**

OPC: Yes. Test year NOI should be increased by $650,159. This reflects a four year amortization of the gain on the sale applicable to the filed SSU systems.

In the alternative, the funds from the gain on the sale should be removed from the equity portion of the Company's requested capital structure. In addition all expenses relating to condemnation efforts should be removed from test year results. (Dismukes)

ISSUE 87.: **Should test year expenses be reduced for 1992 office consolidations?**

OPC: Yes. Test year expenses should be reduced by $47,955. (Dismukes)

ISSUE 88.: **Should vendor discounts recorded below the line be moved above the line for ratemaking purposes?**

OPC: Yes. Test year expenses should be reduced by $5,641 to reflect the discounts recorded below the line. (Dismukes)

ISSUE 89.: **Should interest income on earned on utility deposits made by Southern States be moved above the line for ratemaking purposes?**

OPC: Yes. Unless the Commission utilizes the balance sheet approach to working capital and excludes these deposits from current assets, the interest income in the amount of $7,045 (total company) should be moved above the line for ratemaking purposes.

ISSUE 90.: **Have charitable contributions been properly removed from the test year?**

OPC: No. Test year expenses should be reduced by a minimum of $1,541 to remove charitable contributions. (Dismukes)

ISSUE 91.: **Should an adjustment be made to remove chamber of commerce dues and other public relations expenses from the test year?**

OPC: Yes. At a minimum test year expenses should be reduced by $1,882. (Dismukes)

ISSUE 92.: **Should an adjustment be made to the Company's membership dues?**

OPC: Yes. A portion of the Company's membership dues should be removed from test year results because they support the lobbing activities of the professional associations.

An adjustment should also be made to reflect the memberships dues savings resulting from the consolidation of the SSU family. This amounts to $3,137.

ISSUE 93.: **Should an adjustment be made to reduce the Company's test year bad debt expense?**

OPC: Yes. Test year expenses should be reduced by $40,469. (Dismukes)

ISSUE 94.: **Should an adjustment be made to reduce the Company's test year legal expenses?**

OPC: Yes. Test year expenses should be reduced by $10,355 for legal costs associated with DER/EPA violations. (Dismukes)

Test year expenses should also be reduced by $6,053 for legal fees associated with developer agreements.

Test year expenses should also be reduced by $7,014 for legal fees associated with researching the acquisition adjustment policies of other state commissions.

Test year legal expenses should also be reduced for legal fees associated with lobbying activities.

Test year legal expenses of $5,499 should be removed because the Company will not incur this expense in the future. The Company has agreed to sell this system to the Shadowbrook Homeowner's Association.

ISSUE 95.: **Should an adjustment be made to reduce the Company's test year aircraft expenses?**

OPC: Yes. Test year expenses should be reduced $3,200. This expense should be considered an expense related to lobbing activities and are not appropriate for ratemaking purposes.

ISSUE 96.: **Should an adjustment be made to advertising expenses?**

OPC: Yes. Gas advertising expenses which have been allocated to the Company's water and wastewater operations should be removed.

ISSUE 97.: **Should an adjustment be made to remove expenses associated professional studies?**

OPC: Yes. Test year expenses should be reduced by $15,247 for nonrecurring professional studies. (Dismukes)

ISSUE 98.: **Should an adjustment be made to remove DER mandated testing that the Company failed to defer and amortize?**

OPC: Yes. Test year expenses should be reduced by $32,739.

ISSUE 99.: **Should an adjustment be made to remove expenses associated with the Price Waterhouse audit of the employee savings plan?**

OPC: Yes. Test year expenses should be reduced by $4,780 for the nonrecurring cost of this audit. (Dismukes)

ISSUE 100.: **Should an adjustment be made to remove test year relocation expenses?**

OPC: Yes. Test year relocation expenses are excessive and should be reduced by at least $13,697. (Dismukes)

ISSUE 101.: **Should an adjustment be made to reduce property taxes related to plant which is considered non-used and useful.**

OPC: Yes. There is no logical reason to require current ratepayers to pay property taxes on plant which is considered non-used and useful. Test year property taxes should be reduced by $283,653. (Dismukes)

ISSUE 102.: **Should an adjustment be made to reduce property taxes for the devalued Deltona land?**

OPC: Yes. To the extent that the devaluation will reduce the Company's property taxes an adjustment should be made.

ISSUE 103.: **Should an adjustment be made to reduce property taxes at Sugar Mill Woods?**

OPC: Yes. In addition, the Commission should order the Company to set a sum of money subject to refund to Sugar Mill Woods customers pending a resolution of issues relating to the ad valorem taxation of the Sugar Mill Woods system by Citrus County.

ISSUE 104.: **Which systems have excessive unaccounted-for water and what adjustments are appropriate as a result?**

OPC: OPC has no position at this time concerning the systems that have excessive unaccounted-for water. However, for those systems which do have excessive unaccounted-for water, an adjustment should be made to reduce the associated purchased power and chemical expense.

ISSUE 105.: **Which systems have excessive infiltration and what adjustments are appropriate as a result?**

OPC: OPC has no position at this time concerning the systems that have excessive infiltration. However, for those systems which do have excessive infiltration, an adjustment should be made to reduce test year expenses associated with the excessive infiltration.

SPECIFIC SYSTEMS

Various

ISSUE 106.: **Has the Company properly included reuse revenue in the test year revenue?**

OPC: No. A proforma adjustment is required for the annualized effluent sales at the Deltona Lakes system of $9,308. (Dismukes)

In addition, the Commission should establish appropriate reuse charges for the following systems which are delivering effluent and include the associated revenues in the test year: Point O' Woods for the Point O' Woods Golf Club; Amelia Island for the Amelia Island Golf & Country Club; Florida Central Commerce for Florida Central Commerce Park; Deltona Lakes for Deltona Lakes Golf & Country Club and for the Glen Abbey Golf & Country Club; and University Shores for the Chapel Hill Cemetery.

ISSUE 107.: **Is an adjustment necessary to remove from the test year expenses a drinking water performed in 1984?**

OPC: Yes. Test year expenses should be reduced by $1,447. (Dismukes)

ISSUE 108.: **Is an adjustment necessary to remove certain organizational costs expensed during the test year?**

OPC: Yes. Test year expenses should be reduced by $2,984. (Dismukes)

Duval County

ISSUE 109.: **Is an adjustment necessary to the purchased water expense of Beacon Hills.**

OPC: Yes. Purchased water expenses should be reduced by $14,925 for a 3-year out-of-period billing that occurred during the test year. (Dismukes)

Marion County

ISSUE 110.: **Is an adjustment necessary to reduce property taxes associated with Marion Oaks property held for future use.**

OPC: Yes. Property taxes should be reduced by $4,477. (Dismukes)

Martin County

ISSUE 111.: **Is an adjustment necessary to remove from the test year expenses incurred for a reuse study?**

OPC: Yes. Test year expenses for the Leilani Heights wastewater operations should be reduced by $10,500. (Dismukes)

Orange County

ISSUE 112.: **Should test year NOI be increased for the gain on the sale of University Shores properties?**

OPC: Yes. Test year NOI should be increased by $35,179. This reflects a four year amortization of the gain.

In the alternative, the funds from the gain on the sale should be removed from the equity portion of the Company's requested capital structure. (Dismukes)

EVERY SYSTEM

ISSUE 113.: **Should operating expenses be adjusted?**

OPC: Yes. The final amount is subject to the resolution of other issues.

ISSUE 114.: **Should depreciation expense be adjusted?**

OPC: Yes. The final amount is subject to the resolution of other issues.

ISSUE 115.: **Should taxes other than income taxes be adjusted?**

OPC: Yes. The final amount is subject to the resolution of other issues.

ISSUE 116.: **What is the appropriate provision for test year income taxes?**

OPC: Yes. The final amount is subject to the resolution of other issues.

ISSUE 117.: **Is a parent debt adjustment appropriate, and, if so, what is the proper amount?**

OPC: Yes. The parent debt adjustment is appropriate and should be applied to the test year adjusted rate base.

ISSUE 118.: **What is the adjusted operating income amount before any revenue increase?**

OPC: The final amount is subject to the resolution of other issues.

REVENUE REQUIREMENT

ISSUE 119.: **What are the systems' revenue requirements?**

OPC: The final amount is subject to the resolution of other issues.

RATES AND CHARGES

GENERAL

ISSUE 120.: **Should the base facility and gallonage charge rate structure be implemented for all systems?**

OPC: No position at this issue.

ISSUE 121.: **Is a wastewater gallonage cap of 10,000 gallons appropriate for all systems, and, if not, what is (are) the appropriate cap(s)?**

OPC: No position at this time.

ISSUE 122.: **Should the wastewater gallonage charges be calculated assuming 80% of water sold to residential customers and 96% of water sold to general service customers is returned to the wastewater systems?**

OPC: No position at this time.

ISSUE 123.: **Should the residential wastewater base facility charge be increased by the American Waterworks Association factors?**

OPC: No position at this time.

ISSUE 124.: **Should the Commission approve the utility's request to create a base facility charge for meter sizes (8" and 10" meters) not included in the utility's present tariffs?**

OPC: No position at this time.

ISSUE 125.: **Should public fire protection rates be eliminated?**

OPC: No position at this time.

ISSUE 126.: **Should private fire protection rates be calculated by dividing the approved base facility charges for each applicable meter size by 1/3?**

OPC: No position at this time.

ISSUE 127.: **Should a private fire protection rate for 5/8" x 3/4" lines be approved?**

OPC: No position at this time.

ISSUE 128.: **Should the utility convert all billing cycles to a monthly basis?**

OPC: No position at this time.

ISSUE 129.: **Should the Commission adopt the utility's proposed rate structure, and, if not, what is the appropriate rate structure?**

OPC: No position.

EVERY SYSTEM

ISSUE 130.: **What adjustments, if any, to the Bills and Gallons identified in Schedules Nos. E-2A of the MFRs are appropriate?**

OPC: Test year consumption should be weather normalized.

ISSUE 131.: **Which systems should have charges for the sale of effluent, and what should the charges be?**

OPC: All systems which deliver effluent to golf courses, cemeteries, and other common areas for irrigation purposes should have associated charges.

<u>ISSUE 132.</u>: **Are the existing customer deposits being kept in accordance with Rule, 25-30.311, Florida Administrative Code?**

OPC: No position at this time.

<u>ISSUE 133.</u>: **What are the appropriate final rates?**

OPC: No position at this time.

<u>ISSUE 134.</u>: **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 as required by Section 367.0816, Florida Statutes?**

OPC: No position at this time.

<u>ISSUE 135.</u>: **In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?**

OPC: No position at this time.

<u>OTHER</u>

<u>ISSUE 136.</u>: **Should the Commission adjust the utility's proposed allowance for funds prudently invested (AFPI) charges?**

OPC: No position at this time.

<u>ISSUE 137.</u>: **Should the Commission adjust the utility's proposed allowance for funds used during construction (AFUDC) calculation?**

OPC: No position at this time.

OTHER MATTERS

OPC currently has outstanding discovery that has not been responded to by Southern States. Until responses to this discovery are complete, OPC reserves the right to add additional issues as the need arises.

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CERTIFICATE OF SERVICE
DOCKET NO. 920199-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 on this 16th day of October, 1992.

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