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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: 10-16-92

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-92-0638-PCO-WS, issued July 10, 1992, the Commission Staff (staff) files its prehearing statement as follows:

A. All Known Witnesses

Staff intends to call the following as witnesses: Gregory L. Shafer, John D. Williams, Jerrold E. Chapdelaine, James Todd, Peter Burghardt, Raymond Van Loon, William Darling, Deborah Oblaczynski, William Thiel, John Pope, Lynal DeFalco, Thomas Hamilton, Vincent Seibold, James Maher, Cindy Haynie, Roberto Ansag, Romeo Enage, Miriam Hunt-Boateng, Thomas Cherukara, Peter F. Dentice, Harley W. Young, Peter Screnock, Robert Barker, William C. Dunn, Sandra Andino Sequiera, Robert Glenn, James Grob, Hossein "Nick" Kadivar, Gerald Foster, Charles Hubsch, Charles Houriet, Joe Squitieri, Brenda Ball, Neal Schobert, Robert Reining as witnesses. Mr. Shafer will testify on the margin reserve calculation; Mr. Williams will testify on rate structure; Mr. Chapdelaine will testify on Commission practice regarding used-and-useful; Mr. Todd will sponsor the staff audit report; and the remaining witnesses will testify on the utility's quality of service.

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CIT \_\_\_\_\_
- COV \_\_\_\_\_
- CTR \_\_\_\_\_
- ESC \_\_\_\_\_
- LEE (circled) \_\_\_\_\_
- LMH \_\_\_\_\_
- OPR \_\_\_\_\_
- ROB \_\_\_\_\_
- SEC / \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

B. All Known Exhibits

Staff intends to introduce into evidence at the hearing the exhibits attached to the prefiled testimony of Mr.

Shafer, Mr. Todd, Mr. Burghardt, Ms. Ball, Mr. Thiel, Mr. Schobert, and Mr. Squitieri. Staff reserves the right to identify additional exhibits at and prior to the Prehearing Conference and at the hearing for purposes of cross-examination.

C. Staff's Statement of Basic Position

The information gathered through discovery and prefiled testimony indicates, at this point, that the utility is entitled to some level of increase. The specific level cannot be determined until the evidence presented at hearing is analyzed.

D-I Issues & Staff's Respective Positions

Other than the issues for which staff has provided testimony and advocated a recommendation to the Commission, Staff's positions are preliminary and based on materials filed by the parties and on discovery. These preliminary positions are offered to apprise the parties of those positions. Staff's final positions will be based upon an analysis of the evidence presented at the hearing.

**QUALITY OF SERVICE**

**ISSUES APPLYING TO MORE THAN ONE SYSTEM**

**ISSUE 1: Which systems have an unsatisfactory quality of service?**

**POSITION:** Beecher's Point (water), Chuluota (water), Golden Terrace (water), Harmony Homes (water), Hermits Cove (water), Point O' Woods, River Park (water), University Shores (wastewater), Woodmere (wastewater), and Wootens (water).

The witnesses listed above other than Mr.'s Shafer, Williams, Chapdelaine, and Todd will testify on this issue.

**ISSUE 2: 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?**

**POSITION:** The rate increase, if granted, should be held in abeyance for those water systems which are not meeting water quality standards. The Chuluota water system should be monitored and the utility should be required to submit a time table for completion of the proposed watermain replacement project and quarterly reports until the project is completed.

**RATE BASE**

**GENERIC ISSUES**

**ISSUE 3:** What is the appropriate method for calculating margin reserve?

**POSITION:** Linear regression should be used when there is a trend of increasing or decreasing growth. When there is no regular growth pattern, a five year average should be used. (Shafer)

**ISSUE 4:** What is the appropriate method for calculating used-and-useful plant?

**POSITION:** Absent justification by the utility, the Commission's hydraulic share method is appropriate for treatment plants and the Commission's connections-to-connection-capacity ratio is appropriate for distribution and collection facilities. (Chapdelaine)

**ISSUE 5:** For those systems where a margin reserve is included in the used and useful calculation, should CIAC be imputed as an offsetting measure?

**POSITION:** Yes, consistent with Commission policy.

**ISSUE 6:** What is the appropriate method for allocating general plant, and are any adjustments necessary?

**POSITION:** As proposed by the utility, general plant should be allocated on the basis of relative customers.

**ISSUE 7:** Should the provision for general plant be increased to reflect omission of common plant acquired in the Lehigh acquisition?

**POSITION:** Yes. Before allocation among the various systems, the recommended adjustments are as follows:

<u>Description</u>	<u>Water</u>	<u>Wastewater</u>
Plant in Service	\$104,934	\$36,292
Accum. Depr.	<u>\$(36,536)</u>	<u>\$(12,636)</u>
Net Plant	<u>\$68,398</u>	<u>\$23,656</u>
Depr. Expense	\$2,623	\$907

(Todd)

**ISSUE 8:** 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?

**POSITION:** No, because interim rates are being refunded.

**ISSUE 9:** What is the appropriate method for allocating deferred income taxes related to CIAC, connection fees and CIAC gross-up provisions?

**POSITION:** Normally deferred taxes are not included in rate base except for those allowed by Order No. 23541. However, because there are debit deferred taxes that aren't covered by Order No. 23541 and which don't apply to all systems, the equitable treatment is to allocate the deferred taxes proportionately to only those systems to that caused their creation.

**ISSUE 10:** Should deferred income taxes related to post-retirement benefits be included in rate base?

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

**ISSUE 11:** 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?**

**POSITION:** The liability should reduce rate base.

**ISSUE 12:** What is the appropriate method for calculating working capital?

**POSITION:** The one-eighth of operation and maintenance expense formula method should be used.

**SYSTEM SPECIFIC ISSUES (by County)**

**Citrus County**

**ISSUE 13:** Have the proper plant retirements been made for the Rolling Green water treatment plant, and, if not, what adjustments are necessary?

**POSITION:** Appropriate retirement entries should be recorded.

**ISSUE 14:** 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?

**POSITION:** Since these systems share a common water supply, uniform rates should be collected. The subject improvements should be reasonably allocated.

**ISSUE 15:** Was the utility's decision to interconnect Rosemont and Rolling Green prudent, considering the utility could have interconnected with the City of Inverness, and, if not, what adjustments to rate base are appropriate?

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

**ISSUE 16:** 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 Inverness?

POSITION: No position at this time.

ISSUE 17: What is the appropriate number of ERCs to use at Sugarmill Woods?

POSITION: No position at this time.

Clay County

ISSUE 18: Should the no. 2 well at Keystone Heights be included in the used-and-useful calculation?

POSITION: No position at this time.

Lake County

ISSUE 19: Are the water plant additions at Quail Ridge classified in the proper accounts, and, if not, what are the appropriate classifications?

POSITION: Water distribution lines were misclassified. The accounts should be corrected as shown on the utility's response to Staff Interrogatory No. 75.

ISSUE 20: Should plant in service for the Venetian Village system be reduced by \$19,736 to correct a double counting error?

POSITION: Yes. Reversing this error reduces average rate base by \$9,375 and reduces depreciation expense by \$987.

ISSUE 21: Is all of the plant at Grand Terrace classified in the correct NARUC accounts?

POSITION: No position at this time.

ISSUE 22: Should the plant in service for Skycrest be reduced by \$4,124 to eliminate a double counting error?

POSITION: Yes.

Lake County

ISSUE 23: Should Western Shores and Silver Lake Estates be considered one system for ratemaking purposes?

POSITION: Yes.

Martin County

ISSUE 24: Should those plant improvements at Fox Run not required by Order No. 21408 be included in the rate base?

POSITION: No position at this time.

ISSUE 25: 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?

POSITION: No position at this time.

Putnam County

ISSUE 26: What adjustments should be made related to the River Park water plant abandonment?

POSITION: No position at this time.

ISSUE 27: Should an adjustment be made to exclude the River Park no. 2 plant from used and useful?

POSITION: No position at this time.

ISSUE 28: What adjustments should be made for the new equipment added to the Silver Lake Oaks system?

POSITION: No position at this time.

ISSUE 29: Should Hermits Cove and St Johns Highlands be considered one system for ratemaking purposes?

POSITION: If the utility does not frequently utilize the interconnection by opening the valve that restricts flow between the systems, the systems should not be combined for ratemaking purposes.

ISSUE 30: Should Interlachen Lake Estates and Park Manor be considered one system for ratemaking purposes?

POSITION: Yes. Since the Park Manor plant has been physically abandoned, it should be abandoned from the books.

ISSUE 31: Should Saratoga Harbor and Welaka be considered one system for ratemaking purposes?

POSITION: Yes. Since both plants pump to the same distribution system, the plants should be combined for ratemaking purposes.

Volusia County

ISSUE 32: Should the land balance in the Deltona Lakes division be reduced to correspond with an appraisal performed in 1992?

POSITION: Yes, the land account should be reduced by \$30,000.

ISSUE 33: Should the provision for collection plant in the Deltona Lakes system be adjusted?

POSITION: Yes. The average provision for net plant should be increased by \$97,778. Also, depreciation expense should be increased by \$2,222.

ISSUE 34: What is the fire flow requirement for the Deltona Lakes system?

POSITION: 2500 GPM for two hours, not four hours as reported in the MFRs.



**ISSUES APPLYING TO MORE THAN ONE SYSTEM**

**ISSUE 35:** Which systems for which the utility requested a margin reserve should not be allowed a margin reserve in the amount requested?

**POSITION:** No position as to amount. No position as to a margin reserve for Beecher's Point water and wastewater, Park Manor water and wastewater, Quail Ridge water, Venetian Village water and wastewater, and Wootens water. The Salt Springs wastewater system should not have a margin reserve, as it has not experienced any growth in the past three years and is essentially built out. The Woodmere water and wastewater systems have experienced less than 1% annual growth since 1989 and no margin reserve should be allowed.

**ISSUE 36:** Which water systems are devoting fire flow capacity to connect new customers, and what action should the Commission take as a result?

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

**ISSUE 37:** What are the used-and-useful percentages for the water treatment facilities?

**POSITION:** Staff agrees with the utility's used-and-useful calculations except with regard to the following systems: Amelia Island, Beacon Hills, Deltona Lakes, Fox Run, Fisherman's Haven, Leilani Heights, Marion Oaks (the used and useful percentage for the Marion Oaks water plant is overstated because a main break occurred on the day with maximum flows), Palisades, Palms Mobile Home, Postmaster Village, River Park, Saratoga Harbor & Welaka, Stone Mountain, Sugar Mill, Sunny Hills, and Woodmere.

**ISSUE 38:** What are the used-and-useful percentages for the water distribution systems?

**POSITION:** Staff agrees with the utility's used-and-useful calculations except with regard to the following systems: Deltona Lakes, Sugar Mill, Jungle Den, Fox Run, Palms

Mobile Home Park, Sunshine Parkway, Palisades, and Venetian Village.

**ISSUE 39:** What are the used-and-useful percentages for the wastewater treatment facilities?

**POSITION:** Staff agrees with the utility's used-and-useful calculations except with regard to the following systems: South Forty. Used-and-useful for South Forty is overstated since the capacity of the South Forty plant, not the sprayfield, should be used to calculate the capacity.

**ISSUE 40:** What are the used-and-useful percentages for the wastewater collection systems?

**POSITION:** Staff agrees with the utility's used-and-useful calculations except with regard to the following systems: Deltona Lakes, Sugar Mill, Jungle Den, Fox Run, Sunshine Parkway, and Venetian Village.

**ISSUE 41:** Should the water CIAC provisions be adjusted to correct errors detected during the audit investigation?

**POSITION:** Yes. The recommended adjustments are as follows:

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Name of System	CIAC	Accum Amort	Depr. Exp
<b><u>WATER SYSTEMS</u></b>			
Amelia Island	\$(10,556)	\$1,161	\$(372)
Apache Shores	\$(387)	\$80	\$(12)
Carlton Village	\$(100)	\$11	\$(3)
Daetwyler Shores	\$(500)	\$74	\$(15)
East Lake Harris	\$(350)	\$39	\$(11)
Fern Terrace	\$225	\$(29)	\$7
Friendly Center	\$(475)	\$62	\$(15)
Golden Terrace	\$(1,270)	\$246	\$(39)
Hermits Cove	\$(475)	\$57	\$(15)
Interlachen Lakes	\$(2,100)	\$287	\$(65)
Keystone Heights	\$(103)	\$13	\$(3)
Lake Conway Park	\$(40)	\$7	\$(1)
Leilani Heights	\$(11,038)	\$1,430	\$(342)
Oak Forest	\$450	\$(54)	\$14
Palm Port	\$(1,250)	\$158	\$(39)
Palms Mobile Home Park	\$(75)	\$13	\$(2)
Piccola Isle	\$(775)	\$95	\$(24)
Piney Woods	\$450	\$(50)	\$14
Pomona Park	\$(1,975)	\$250	\$(61)
Postmaster Village	\$7,650	\$(842)	\$237
River Park	\$(1,800)	\$234	\$(56)
Skycrest	\$(9,899)	\$1,089	\$(307)
St. Johns Highlands	\$(525)	\$64	\$(16)
Tropical Park	\$1,690	\$(310)	\$52
University Shores	\$(635,586)	\$50,554	\$(26,376)
Venetian Village	\$388	\$(50)	\$12
Welaka	\$(225)	\$29	\$(7)

(Todd)

**ISSUE 42:** Should the wastewater CIAC provisions be adjusted to correct errors detected during the audit investigation?

**POSITION:** Yes. The recommended adjustments are as follows:

Name of System	CIAC	Accum Amort	Depr. Exp
<b>WASTEWATER SYSTEMS</b>			
Amelia Island	\$(6,342)	\$698	\$(197)
Apache Shores	\$137	\$(46)	\$4
Leilani Heights	\$412	\$(159)	\$13
Palm Port	\$(650)	\$86	\$(20)
University Shores	\$332,640	\$(98,722)	\$10,651
Venetian Village	\$(613)	\$80	\$(19)

(Todd)

**ISSUE 43:** Should rate base be reduced to designate certain "future use" plant sites as non-used and useful properties?

**POSITION:** Adjustments may be appropriate for the Citrus Springs, Sunny Hills, Marion Oaks, Spring Hill, and Deltona Lakes utility systems.

**ISSUE 44:** Should the rate base provisions for land be adjusted due to due to mechanical errors in showing the impact of appraisals?

**POSITION:** Yes. The recommended adjustments are as follows:

<u>Name of System</u>	<u>Water</u>	<u>Wastewater</u>
Marion Oaks	\$22,121	\$(80,850)
Pine Ridge Utilities	\$(1,057)	
Spring Hill		\$(185,367)
Sunny Hills	\$(14,852)	

(Todd)

**ISSUE 45:** Should rate base and operating expenses be adjusted to correct misclassification of operating expenses?

**POSITION:** Yes. The recommended adjustments are as follows:

<u>Name of System</u>	<u>W/S</u>	<u>Net Plant</u>	<u>Depr. Exp.</u>	<u>Oper. Exp</u>
Citrus Springs	W	\$1,019	\$13	\$(1,032)
Jungle Den	S	\$1,669	\$16	\$(1,684)
University Shores	W	\$2,031	\$88	\$(2,118)

(Todd)

**ISSUE 46:** What are the proper allowances for working capital?

**POSITION:** The formula approach should be used to establish working capital. The system specific amounts depend upon other issue in this case.

**ISSUE 47:** Should adjustments be made to correct errors in reporting previously established rate base amounts?

**POSITION:** Yes. The recommended adjustments are as follows:

<u>Name of System</u>	<u>W/S</u>	<u>Plant</u>	<u>Accum Depr</u>	<u>Depr. Exp</u>
Citrus Park	W	\$(19,471)	\$1,509	\$(604)
Citrus Park	S	\$8,677	\$(672)	\$269
Daetwyler Shores	W	\$3,704	\$(889)	\$74
Keystone Heights	W	\$1,500	\$0	\$0
Lake Conway Park	W	\$(3,705)	\$889	\$(74)
Rolling Green	W	\$29,195	\$(3,620)	\$905
Salt Springs	W	\$17,781	\$(1,378)	\$551
Salt Springs	S	\$(10,675)	\$827	\$(331)
Samira Villas	W	\$(869)	\$67	\$(27)
South Forty	S	\$14,889	\$(1,154)	\$462

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Name of System	W/S	CIAC	Accum Amort	Depr. Exp
Citrus Park	W	\$1,439	\$(112)	\$45
Citrus Park	S	\$213	\$(17)	\$7
Daetwyler Shores	W	\$(7,892)	\$1,894	\$(158)
Fisherman's Haven	W	\$100	\$(11)	\$3
Grand Terrace	W	\$41,800	\$(1,672)	\$836
Interlachen Lake Est.	W	\$(675)	\$126	\$(21)
Lake Conway Park	W	\$7,892	\$(1,894)	\$158
Rolling Green	W	\$(29,195)	\$2,336	\$(584)
Salt Springs	W	\$11,738	\$(910)	\$364
Salt Springs	S	\$(113)	\$9	\$(4)
Samira Villas	W	\$(7,360)	\$570	\$(228)
St. Johns Highland	W	\$(225)	\$42	\$(7)

Name of System	W/S	Acq. Adjust	Accum Amort	Depr. Exp
Apache Shores	W	\$(2,358)	\$542	\$(47)
Apache Shores	S	\$(3,937)	\$906	\$(79)

(Todd)

**ISSUE 48: What are the rate bases?**

**POSITION:** The rate base sums are summation measures that depend on resolution of other issues.

**COST OF CAPITAL**

**GENERIC ISSUES**

**ISSUE 49: What is the appropriate rate of return on equity?**

**POSITION:** The Commission should set the cost of equity using the leverage formula in effect at the time of the Agenda Conference for the final order in this case. The range

for the cost of equity should be plus or minus 100 basis points.

**ISSUE 50:** Should the cost of debt capital be adjusted to reflect reduced interest rates for variable-cost debt components?

**POSITION:** The cost rates for variable rate long-term debt should be based on the appropriate short term interest rates, such as the prime rate, LIBOR, the T-Bill rate, etc., in effect at the time of the hearing.

**ISSUE 51:** What is the appropriate cost rate for deferred investment tax credits?

**POSITION:** The cost rate should be weighted so that the unamortized ITCs for each system which fell under the general rule, Internal Revenue Code Section 46(f)(1), before acquisition by SSU are given a cost rate of zero and the unamortized ITCs for the remaining systems receive the weighted cost rate of long term debt, common stock, and preferred stock.

**ISSUE 52:** What is the appropriate amount of accumulated deferred income taxes to be included in the capital structure?

**POSITION:** No position pending resolution of other issues.

**ISSUE 53:** Should short-term debt be included in the capital structure?

**POSITION:** Yes, consistent with the utility's proposal in the recently filed rate application for the Marco Island utility system.

**ISSUE 54:** What is the appropriate overall cost of capital including the proper components, amounts, and cost rates?

**POSITION:** This is essentially a fall-out issue based on an appropriate capital structure and cost rates.

**NET OPERATING INCOME**

**GENERIC ISSUES**

**ISSUE 55:** Is the utility's test year provision for employee wages unreasonable and, if so, what adjustments are appropriate?

**POSITION:** No position pending development of record.

**ISSUE 56:** What is the appropriate method for allocating administrative and general expenses?

**POSITION:** The utility's proposed allocation of common A&G expenses based on relative customers appears reasonable.

**ISSUE 57:** Should the test year provision for contractual services related to testing of water systems be reduced?

**POSITION:** Yes, a \$32,739 reduction to expenses is recommended.

**ISSUE 58:** What is the appropriate allowance for rate case expense?

**POSITION:** No position pending further development of the record.

**ISSUE 59:** Should the utility's proposed pro forma adjustments to customer accounting and administrative charges due to acquisition because of Lehigh Utilities approved?

**POSITION:** No position pending further development of the record.

**ISSUE 60:** Should \$11,009 of legal expenses related to appearances before the Commission during review of ratemaking treatment of acquisition adjustments be disallowed?

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

**ISSUE 61:** Should the Commission allow the utility's \$1,435,469 proforma adjustment for post-retirement benefits, and, if not, what adjustments are appropriate?

**POSITION:** Upon proper showing, a reasonable amount of OPEB expense should be allowed and should be accounted for pursuant to FAS 106.



**ISSUE 62:** Should the provision for post-retirement benefits be reduced to reflect "pay-as-you-go" and construction related expenditures?

**POSITION:** To the extent an accrual accounting provision is allowed, "pay-as-you-go" expenses should be removed. Also, a estimated provision for construction overhead should be removed.

**ISSUE 63:** Should \$58,099 of expenses for relocation of new employees be disallowed?

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

**ISSUE 64:** 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?

**POSITION:** No position pending further development of the record.

**ISSUE 65:** Should the Commission allow the utility's 5.00% increase to payroll expense, and, if not, what adjustments are appropriate?

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

**ISSUE 66:** Should the gain realized upon sale of the St. Augustine utility system be considered in determining operating revenues for the systems in this proceeding?

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

**ISSUE 67:** Should common expenses be reduced to reflect projected savings due to consolidation or closing of customer service offices?

**POSITION:** Yes, estimated savings should be removed.

**ISSUE 68:** Should the Commission remove the cost of a survey performed by Cambridge Reports of Massachusetts as a non-recurring expense?

**POSITION:** Yes, administrative expense should be reduced by \$18,156.

**ISSUE 69:** Should the Commission reduce the expense allowed for membership in the NAWC to reflect anticipated savings on a going-forward basis?

**POSITION:** Yes, administrative expenses should be reduced by \$3,317.

**ISSUE 70:** Should the Commission reduce the expense allowed for remittance processing to reflect anticipated savings, on a going-forward basis, as a result of in-house processing?

**POSITION:** Yes, administrative expenses should be reduced by \$70,798.

**ISSUE 71:** Should the Commission reduce administrative expenses to amortize certain organizational development costs over five years?

**POSITION:** Yes, expenses should be reduced by \$14,751.

**ISSUE 72:** Should the Commission reduce postage costs to reflect savings to perform postage services in-house?

**POSITION:** Yes, customer accounting expenses should be reduced by \$12,125.

**ISSUE 73:** What is an acceptable level of unaccounted-for water?

**POSITION:** 10% of the water pumped.

**SYSTEM SPECIFIC ISSUES (by County)**

**Marion County**

**ISSUE 74:** Should the plant balance for the South Forty wastewater system be reduced?

**POSITION:** Yes, the South Forty plant balance should be reduced by \$269,774 with corresponding adjustments to accumulated depreciation, depreciation expense and nonused and useful balances.

**ISSUE 75:** Should rate base for the Salt Springs water plant be reduced to reflect abandonment of plant?

**POSITION:** Yes, the Salt Springs water plant should be reduced by \$18,704, with corresponding adjustments to accumulated depreciation, depreciation expense, CIAC, and accumulated amortization of CIAC.

**Martin County**

**ISSUE 76:** Should a \$10,150 test year payment to Commonwealth Engineering for environmental services for the Leilani Heights system be amortized?

**POSITION:** Yes, this recorded expense should be amortized over three years.

**ISSUE 77:** Should the cost of the reuse feasibility study for Leilani Heights be amortized over five years instead of being expensed in the test year?

**POSITION:** Yes. The cost of the reuse feasibility study should be amortized over five years. received.

**Volusia County**

**ISSUE 78:** Should the \$14,326 test year expense in the Jungle Den system to televise and repair wastewater collection lines be amortized?

**POSITION:** Yes, this expense should be amortized over three years.

**ISSUE 79:** Is infiltration for the Jungle Den wastewater system excessive, and, if so, what adjustments are appropriate?

**POSITION:** Yes, and adjustments should be made to chemicals and purchased power expenses.

**ISSUES APPLYING TO MORE THAN ONE SYSTEM**

**ISSUE 80:** Which systems have excessive unaccounted-for water and what adjustments are appropriate as a result?

**POSITION:** The following systems have excessive unaccounted-for water: Beecher's Point, Interlachen Lakes Estates, Keystone Heights, River Grove, Saratoga Harbor-Welaka, Kingswood, Oakwood, Palisades, and Stone Mountain. Purchased power and chemicals expenses should be adjusted.

**ISSUE 81:** Which systems have excessive infiltration and what adjustments are appropriate as a result?

**POSITION:** The Palm Port system appears to have excessive infiltration, and a adjustment may be necessary.

**ISSUE 82:** Should property taxes be reduced in relation to corresponding used and useful adjustments to plant?

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

**ISSUE 83:** Should test year expenses for property taxes be reduced?

**POSITION:** To the extent that recent appraisals will likely reduce the corresponding property tax provisions, reduced provisions for property taxes are appropriate.

**ISSUE 84:** What is the appropriate provision for test year income taxes?

**POSITION:** No position pending resolution of other issues.

**ISSUE 85:** Should ITC amortization be above-the-line and in what amount?

**POSITION:** ITC amortization should be above the line. The amount of amortization should be calculated by subtracting the amortization related to the ITCs receiving a cost rate of zero from the total amount to be amortized. The final amount of amortization is subject to the resolution of other issues.

**ISSUE 86:** Is a parent-debt adjustment appropriate, and, if so, what is the proper amount?

POSITION: Yes, a parent-debt adjustment is appropriate in accordance with Rule 25-14.004, F.A.C. The final amount of this adjustment is subject to the resolution of other issues.

ISSUE 87: Is an ITC interest synchronization adjustment appropriate, and, if so, what is the proper amount?

POSITION: Yes, since the ITCs are included in the capital structure at a net positive cost rate. The final amount is this adjustment is subject to the resolution of other issues.

ISSUE 88: Should the Commission impute revenue to recognize undercollection of effluent sales income?

POSITION: Yes, \$9,745 should be imputed for effluent sales.

ISSUE 89: Should revenues be imputed for water estimated as attributable to unmetered and stuck meters?

POSITION: Yes.

ISSUE 90: What is the adjusted operating income amount before any revenue increase?

POSITION: The adjusted income amount is a summation measure that depends on resolution of other issues.

### REVENUE REQUIREMENT

ISSUE 91: What are the systems' revenue requirements?

POSITION: The revenue requirement is a summation measure that depends on resolution of other issues.

### RATES AND CHARGES

#### GENERIC ISSUES

ISSUE 92: Should the base facility and gallonage charge rate structure be implemented for all systems?

POSITION: Yes, all systems should be converted to a base facility and gallonage charge rate structure.

**ISSUE 93:** Is a wastewater gallonage cap of 10,000 gallons appropriate for all systems, and, if not, what is (are) the appropriate cap(s)?

**POSITION:** Each wastewater system should have a gallonage cap established at an appropriate level based on the billing analysis. No position on the level of the cap pending further development of the record.

**ISSUE 94:** 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?

**POSITION:** Yes, a rate differential between the residential and general service gallonage charge should be established to recognize that 80% of water sold up to the maximum cap to residential customers and 96% of all water sold to general service customers is returned to the wastewater system.

**ISSUE 95:** Should the residential wastewater base facility charge be increased by the American Waterworks Association factors?

**POSITION:** No, residential wastewater base facility charges should be calculated on one ERC to recognize that additional usage of water requiring a larger meter size would be due to water used for irrigation purposes, which is not returned to the wastewater collection system.

**ISSUE 96:** 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?

**POSITION:** Yes, the utility should be allowed to expand the rates using the A.W.W.A factors to include larger meter sizes than are currently listed in their tariff.

**ISSUE 97:** Should public fire protection rates be eliminated?

**POSITION:** Yes, public fire protection rates should be eliminated.

**ISSUE 98:** Should private fire protection rates be calculated by dividing the approved base facility charges for each comparable meter size by 1/3?

**POSITION:** Yes, private fire protection rates should be developed by dividing the approved base facility charge for the comparable meter size by 1/3.

**ISSUE 99:** Should a private fire protection rate be approved for lines less than 4" in diameter?

**POSITION:** No, private fire protection rates should not be approved for any line size less than 4 inches in diameter.

**ISSUE 100:** Should the utility convert all billing cycles to a monthly basis?

**POSITION:** Yes, the billing cycles for all systems should be converted to monthly billing.

**ISSUE 101:** Should the Commission adopt the utility's proposed rate structure, and, if not, what is the appropriate rate structure?

**POSITION:** No position pending further development of the record.  
(Williams)

**ISSUE 102:** Should SSU be required to file a service availability case for all of its systems?

**POSITION:** No position pending further development of the record.  
(Williams)

**SYSTEM SPECIFIC ISSUES (by County)**

**Nassau County**

**ISSUE 103:** Should the Amelia Island wastewater be charging its reuse customers for reclaimed effluent? If so, what amount?

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

Volusia County

ISSUE 104: Should the utility be required to file a tariff for approval of the 6¢/1,000 gallon charge to Deltona Country Club Golf Course pursuant to the contract?

POSITION: Yes. The utility should be required to file a tariff for approval of the effluent rate identified in the contract between the Deltona Lakes system and the Deltona Lakes Golf and Country Club.

ISSUES APPLYING TO MORE THAN ONE SYSTEM

ISSUE 105: What adjustments, if any, to the Bills and Gallons identified in Schedules Nos. E-2A of the MFRs are appropriate?

POSITION: No position pending further development of the record.

ISSUE 106: What are the appropriate final rates?

POSITION: The final rates will be determined after the resolution of other issues.

ISSUE 107: 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?

POSITION: The appropriate amount by which rates should be reduced in four years as required by Section 367.0816, Florida Statutes will be determined after the resolution of other issues.

ISSUE 108: 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?



POSITION: The determination of any refund should be calculated based on a comparison of final revenues to interim revenues, and will be calculated after the resolution of other issues.

**OTHER or MISCELLANEOUS ISSUES**

ISSUE 109: Should the Commission adjust the utility's proposed allowance for funds prudently invested (AFPI) charges?

POSITION: The approved AFPI charges should agree with the approved cost of capital for this proceeding. Absent further explanation, the charge should be based on net plant rather than net plant. Prepaid CIAC may also be a factor.

ISSUE 110: Should the Commission adjust the utility's proposed allowance for funds used during construction (AFUDC) calculation?

POSITION: Some adjustments may be appropriate.

(g) Stipulated Issues

There are no issues that have been stipulated at this time.

(h) Pending Matters

1. SSU's September 2, 1992, Second Request for Confidential Classification and Motion for Protective Order.
2. SSU's October 12, 1992, Third Request for Confidential Classification and Motion for Protective Order.
3. SSU's October 14, 1992, Motion for Expedited Discovery.

(i) Requirements That Cannot Be Complied With

There are no requirements of Order No. PSC-92-0638-PCO-WS that cannot be complied with at this time.



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FLORIDA PUBLIC SERVICE COMMISSION  
101 East Gaines Street  
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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: 10/16/92

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Commission Staff's Prehearing Statement has been furnished by hand delivery to Kenneth A. Hoffman, Esquire, Messer, Vickers, et al., 215 South Monroe Street, First Bank Building, Suite 701, Tallahassee, Florida 32301, and Harold McLean, Esquire, Office of Public Counsel, 111 West Madison Street, Tallahassee, Florida 32399-1400, and by U. S. Mail to Mr. Harry Jones, Cypress and Oak Villages Association of Homosassa, 91 Cypress Boulevard West, Homosassa, Florida 32646, and Nassau County Board of Commissioners, c/o Mr. Michael S. Mullin, Esquire, Post Office Box 1010, Fernandina Beach, Florida 32034, this 16th day of October, 1992.



MATTHEW J. FEIL, Senior Attorney

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