

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate) DOCKET NO. 950495-WS
 increase and increase in service) FILED: March 26, 1996
 availability charges by Southern)
 States Utilities, Inc. for)
 Orange-Osceola Utilities, Inc.)
 in Osceola County, and in)
 Bradford, Brevard, Charlotte,)
 Citrus, Clay, Collier, Duval,)
 Highlands, Lake, Lee, Marion,)
 Martin, Nassau, Orange, Osceola,)
 Pasco, Putnam, Seminole, St.)
 Johns, St. Lucie, Volusia, and)
 Washington Counties.)

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COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Orders Nos. PSC-95-1208-PCO-WS and PSC-96-0324-PCO-WS, issued September 29, 1995, and March 5, 1996, respectively, the Commission Staff (Staff) files its prehearing statement as follows:

A. All Known Witnesses

Staff intends to call the following witnesses:

<u>Witness</u>	<u>Subject of Testimony</u>
Janice Beecher	National review of regulatory policies
Robert Casey	Impact of CIAC levels
Robert Dodrill	Staff audit report
Jeffrey Small	Staff audit report
Charleston Winston	Staff audit report
Andrew Maurey	Cost of capital/return on equity
Nancy Pruitt	Summary of SSU consumer complaints
Gregory Shafer	Rate design policy
John Starling	Water treatment methods
John Williams	Service availability

The following witnesses from the Department of Environmental Protection and the Department of Health and Rehabilitative Services will provide testimony on the utility's quality of service:

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS _____
- DTH _____

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Blanca Rodriguez, William Ryland, George Sawaya, Neal Schobert, Peter Screneck, Sandra Sequeira, Kristen Smeltzer, William Thiel, and Toni Touart.

B. All Known Exhibits

Staff has identified a list of exhibits which it intends to utilize at hearing which is appended hereto as Appendix A. Staff reserves the right to identify additional exhibits at the Prehearing Conference and at 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 of increase cannot be determined until the evidence presented at hearing is analyzed.

D. Issues & Staff's Respective Positions

Non-testifying 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.

FACILITIES NOT OWNED BY SSU

ISSUE 1: Should the Enterprise and River Park plants and facilities be removed from this docket?

POSITION: Yes. The Enterprise and River Park facilities are not owned by SSU and should be removed from this docket.

QUALITY OF SERVICE

ISSUE 2: Is the quality of service provided by SSU at each of its water and wastewater facilities satisfactory?

POSITION: No position pending further development of the record. However, at this point, Staff believes that there are facilities which have a less than satisfactory quality of service. (Nancy Pruitt, William Allen, Clarence Anderson, Jr., Roberto Ansag, Andrew Barienbrock, Scott Breitenstein, Pete Burghardt, W.E. Darling, Deborah de Paiva, William C. Dunn, J. Lee Faircloth, Phyllis James,

John Kintz, Debra Laisure, David MacColeman, Gary Maier, Deborah Lee Oblaczynski, Blanca Rodriguez, William Ryland, George Sawaya, Neal Schobert, Peter Screneck, Sandra Sequeira, Kristen Smeltzer, William Thiel, Toni Touart)

ISSUE 3: What adjustments should be made and what corrective action should the Commission require for those systems that are not currently meeting Department of Environmental Protection standards?

POSITION: No position pending further development of the record. (Nancy Pruitt, William Allen, Clarence Anderson, Jr., Roberto Ansag, Andrew Barienbrock, Scott Breitenstein, Pete Burghardt, W.E. Darling, Deborah de Paiva, William C. Dunn, J. Lee Faircloth, Phyllis James, John Kintz, Debra Laisure, David MacColeman, Gary Maier, Deborah Lee Oblaczynski, Blanca Rodriguez, William Ryland, George Sawaya, Neal Schobert, Peter Screneck, Sandra Sequeira, Kristen Smeltzer, William Thiel, Toni Touart)

RATE BASE

LAND

ISSUE 4: Are any adjustments necessary to reflect any Lehigh land additions as Plant Held for Future Use (Staff Audit Disclosure No. 2)?

POSITION: Yes. The original cost of land for parcels 1, 2, 3, and "Tract C" of parcel 4 should be considered plant held for future use. The amount is to be determined pending discovery. (Dodrill)

ISSUE 5: Are any adjustments appropriate to reflect the original cost of the Collier property acquired for Marco Island?

POSITION: Yes. An adjustment in the amount of \$1,683,411 should be made to remove labor and overhead charges applied to this land purchase.

ISSUE 6: Should an adjustment be made to reclassify a portion of the Collier Property for Marco Island to non-utility property (Staff Audit Exception No. 2)?

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POSITION: Yes. Any land not used for utility purposes should be transferred to non-utility property. The final amount of the adjustment is pending further development of the record. (Dodrill)

ISSUE 7: Should the transfer of the Section 35 (160 Acres) property from plant held for future use to land be allowed for Marco Island?

POSITION: No. Land that is not currently being used to provide utility service should be classified as plant held for future use and not be transferred to plant in service. The Marco Island land account should be reduced by \$220,855.

PLANT-IN-SERVICE

ISSUE 8: Should Buenaventura Lakes' rate base be reduced to reflect adjustments made in Docket No. 941151-WS, which approved the transfer?

POSITION: Yes, Buneuaventura Lakes' rate base for 1996 should be reduced by \$64,796 and \$456,530, for water and wastewater, respectively.

ISSUE 9: Is the utility's method of determining engineering and administrative overhead pool appropriate?

POSITION: No position at this time pending further development of the record and receipt of outstanding discovery.

ISSUE 10: Is the amount of overhead allocated to capital projects excessive, and, if so, what adjustments are necessary?

POSITION: No position at this time pending further development of the record and receipt of outstanding discovery.

ISSUE 11: Are adjustments necessary to the utility's additions to plant, both historic and proposed?

POSITION: Yes. Adjustments are necessary to correct double-bookings to plant, reflect actual costs that are now available, and account for project slippage.

USED AND USEFUL ADJUSTMENTS

ISSUE 12: Is the utility's methodology for determining ERCs and connected lots for calculating used and useful appropriate?

POSITION: No position pending further development of the record.

ISSUE 13: Should a margin reserve be included in the calculations of used and useful for each facility?

POSITION: Yes, for those facilities that are demonstrating growth, and that can accommodate growth.

ISSUE 14: If margin reserve is included in the calculation of used and useful, what is the appropriate margin reserve period?

POSITION: No position pending further development of the record.

ISSUE 15: If margin reserve is included in the calculation of used and useful, what is the appropriate method for calculating margin reserve?

POSITION: The utility's proposed methodology of using linear regression when an "r-squared" value of 0.7 or more is achieved; or, where that value is less than 0.7 using the average of five years' data, is appropriate.

ISSUE 16: What is an acceptable level of unaccounted-for-water?

POSITION: An acceptable level of unaccounted-for-water is 12.5%. Any amount over 12.5% should be considered excessive. Further, unaccounted-for-water should be evaluated for each water plant, not on a company-wide basis.

ISSUE 17: Do any water facilities have excessive unaccounted-for-water and, if so, what adjustments are necessary?

POSITION: Yes, those water facilities that experienced greater than 12.5% unaccounted-for-water during the test year should be considered to have excessive unaccounted-for-water. Further, adjustments to demands, chemicals, and purchased power expenses are necessary for those plants.

ISSUE 18: What is an acceptable level of infiltration and/or inflow?

POSITION: An acceptable level of infiltration and/or inflow is as prescribed by EPA, and used by the utility, which allows 120 gallons per capita per day before infiltration and/or inflow is considered to be excessive. Further, infiltration and/or inflow should be evaluated for each wastewater plant, not on a company-wide basis.

ISSUE 19: Do any wastewater facilities have excessive infiltration and/or inflow and, if so, what adjustments are necessary?

POSITION: Yes, as identified by the utility, the following wastewater plants have excessive infiltration and/or inflow: Amelia Island, Sunshine Parkway, South Forty, Florida Central Commerce Park, Leilani Heights, Beecher's Point, and Marco Island. Further, adjustments to demands, chemicals, and lift station purchased power expenses are necessary for those plants.

ISSUE 20: Should the hydraulic analyses performed on the Citrus Springs, Marion Oaks, Pine Ridge, and Sunny Hills transmission and distribution lines be the basis for determining used and useful percentages for water transmission and distribution facilities at these four sites?

POSITION: No, the Commission should not accept the proposed hydraulic analyses for used and useful purposes. Used and useful for these four transmission and distribution systems should be calculated as provided in Issue 21.

ISSUE 21: What is the appropriate methodology for calculating used and useful for all water and wastewater facilities?

POSITION: Presently, it appears that the appropriate methodology for calculating used and useful incorporates the utility's proposed methodology modified so that: adjustments for excessive unaccounted-for-water and excessive infiltration and/or inflow are made to demands; dead storage is the only determinant for obtaining firm-reliable capacity for finished water storage; iron filtration is to be treated as water treatment plant; lines are to be computed as actual lots connected to lots available; and effluent disposal is to be calculated separately from wastewater treatment plant. This

position may change pending further development of the record. Reuse should be excluded from this issue and determined separately.

ISSUE 22: What are the appropriate used and useful percentages for each facility?

POSITION: No position pending further development of the record.

ISSUE 23: If the used and useful calculations in this rate proceeding result in used and useful percentages lower than those allowed in previous rate cases, what are the appropriate percentages to use?

POSITION: The appropriate percentage to use must be determined on a component-by-component and case-by-case basis.

ISSUE 24: What wastewater plant components should be considered as reuse components and what are the appropriate used and useful percentages?

POSITION: No position pending further development of the record.

ACCUMULATED DEPRECIATION

ISSUE 25: Should the utility's proposed adjustment to reverse depreciation taken on non-used and useful facilities be approved?

POSITION: No. This adjustment results in retroactive ratemaking and should be disallowed.

CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION

ISSUE 26: If a margin reserve is approved, should CIAC be imputed on the ERCs included in the margin reserve?

POSITION: Yes. Current Commission practice requires imputation of CIAC on the margin reserve. The amounts of adjustments are subject to the resolution of other issues.

ACCUMULATED AMORTIZATION OF CIAC

ISSUE 27: What adjustments are necessary to correct accumulated amortization of CIAC related to guideline amortization rates being booked prior to implementation of service rates (Response to FPSC Interrogatory 33)?

POSITION: Adjustments are necessary to reduce accumulated amortization of CIAC by \$128,751 and \$135,129, for water and wastewater, respectively. The specific amounts per plant are detailed in SSU's response to FPSC Interrogatory 33.

ISSUE 28: Is accumulated amortization of CIAC for the Deltona Lakes water division overstated (Audit Exception No. 7)?

POSITION: Yes. Water accumulated amortization of CIAC for this plant should be reduced by \$10,451. (Winston)

WORKING CAPITAL

ISSUE 29: Should accrued interest receivable be included in the working capital allowance (Audit Disclosure 12)?

POSITION: No. Commission policy has been to exclude interest income and interest bearing accounts for ratemaking purposes. In accordance with this policy, the accrued interest receivable account should also be excluded. An adjustment should be made to reduce the working capital allowance by \$204,043 in order to remove the balance recorded in the accrued interest receivable account. (Winston)

ISSUE 30: Are any adjustments necessary to SSU's projected balance in the Preliminary Survey and Investigations account?

POSITION: Yes. According to Staff's Audit Disclosure No. 14, an adjustment should be made to reduce the 1996 projected amount by \$1,849,076, due to the wide variance between actual and projected amounts as of September 30, 1995. (Winston)

ISSUE 31: Should deferred debits for the Deltona Lakes abandoned project be included in the working capital allowance (Audit Exception No. 8)?

POSITION: No. An adjustment should be made to reduce the deferred debit account by \$6,127 in order to remove the unamortized balance associated with this project from the working capital allowance. A corresponding adjustment should also be made to reduce projected test year amortization expense by \$12,252. All costs associated with this project were incurred as of the end of 1991, and should have been fully amortized by the beginning of the 1996 projected test year. (Winston)

ISSUE 32: What adjustments are necessary to reflect reduced costs associated with the Keystone Heights aquifer performance test?

POSITION: The \$75,000 budgeted for the aquifer performance test should be reduced by \$50,700 to reflect the updated costs to perform the test. A corresponding adjustment should also be made to reduce amortization expense by \$7,243.

ISSUE 33: Should deferred debits for the Spring Hill wastewater treatment plant expansion be included in working capital?

POSITION: No. An adjustment should be made to reduce the deferred debit account by \$17,615 in order to remove the unamortized balance from the working capital allowance. A corresponding adjustment should also be made to reduce projected test year amortization expense by \$15,099. All costs associated with this project were incurred prior to the utility's ownership of this facility and should have been previously written off. (Winston)

ISSUE 34: Should miscellaneous current assets be included in the working capital allowance?

POSITION: No. The balance recorded in this account relates to possible acquisition costs and should not be included in the working capital calculation. An adjustment should be made to reduce the working capital allowance by \$145,972 in order to remove the balance recorded in the miscellaneous current assets account.

ISSUE 35: What is the total company balance of working capital?

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

OTHER RATE BASE COMPONENTS

ISSUE 36: Should deferred debits incurred in the attempts to obtain a water supply for Marco Island be allowed, and if so, what is the appropriate amount and amortization period?

POSITION: The appropriate amount for the deferred debits incurred in the attempts to obtain a water supply source for Marco Island should be only those costs which are prudent and which will benefit current customers. The appropriate amortization period should be at least 10 years. Had these projects not been abandoned, the actual lives would have been long term. (Dodrill)

RATE BASE SUMMARY

ISSUE 37: What are the appropriate rate base amounts in total and by plant?

POSITION: The final amounts are subject to the resolution of other issues.

COST OF CAPITAL

ISSUE 38: Should the Commission adjust the cost of debt to reflect current interest rates for variable cost debt?

POSITION: Yes. The cost of variable debt should be based on interest rates that are current at the time of the hearing.

ISSUE 39: What is the appropriate cost of common equity?

POSITION: The appropriate cost of equity for SSU is 11.83% based upon the leverage formula in Order No. PSC-95-0982-FOF-WS, with a range of plus or minus 100 basis points. (Maurey)

ISSUE 40: What is the appropriate amount of accumulated deferred income taxes and what are the appropriate methods for allocating deferred income taxes to the individual plants?

POSITION: As filed, accumulated deferred income taxes, Account 281, should be increased by \$303,905 (responses to Staff Interrogatories 119 and 120); and accumulated deferred

income taxes, Account 190 - Other, should be increased by \$119 (response to Staff Interrogatory 119). Further adjustments should be made with development of the record and the resolution of other issues. Regarding the appropriate allocation methods, the deferred income taxes in Account 190 related to CIAC, connection fees and CIAC gross-up provisions should be allocated proportionately to those systems that caused their creation, i.e. based on CIAC collected or projected during the period 1987 through the end of the test year; deferred income taxes in Account 190 related to OPEBs should be allocated on the basis of average number of customers - total company; deferred income taxes in Account 281 and Account 190 - Other should be allocated on the basis of gross plant.

ISSUE 41: What is the appropriate amount of unamortized investment tax credits?

POSITION: No position pending further development of the record and the resolution of other issues.

ISSUE 42: What is the appropriate weighted average cost rate for investment tax credits?

POSITION: No position pending further development of the record. However, unless further development of the record indicates otherwise, a weighted average cost rate should be derived by weighting the zero cost unamortized ITCs for each system which fell under Internal Revenue Code Section 46(f)(1), before acquisition by SSU with the unamortized ITCs for the remaining systems that receive the weighted cost rate of short-term debt (if any), long-term debt, common stock, and preferred stock. Deltona, United Florida and Seaboard should be treated under Internal Revenue Code Section 46(f)(1). Lehigh should be treated under Internal Revenue Code Section 46(f)(2). For each of the systems acquired as a stock purchase, the system's original option should be carried forward. If the SSU purchase was an asset purchase, IRC Section 46(f)(2) is appropriate.

ISSUE 43: What is the appropriate overall cost of capital including the proper components, amounts, and cost rates?

POSITION: The overall cost of capital is dependent upon the resolution of other cost of capital issues.

NET OPERATING INCOME

OPERATING REVENUES

ISSUE 44: What is the appropriate methodology to use to establish test year operating revenues on a per plant basis?

POSITION: For those plants included in Docket No. 920199-WS, projected test year revenues should be determined using the modified stand alone rates approved in Order No. PSC-95-1292-FOF-WS, issued on October 19, 1995.

OPERATION AND MAINTENANCE EXPENSES

ISSUE 45: Should the utility's 1996 Salary and wage attrition adjustment be adjusted (Audit Disclosure No. 15)?

POSITION: Yes. In the utility's MFRs, the projected 1996 O&M expenses include an attrition adjustment of 5.87% to the 1995 labor budget. This adjustment was calculated in error and should have been 5.75%. An adjustment should be made to reduce the utility's projected 1996 O&M salary expenses and projected 1996 capitalized labor costs by \$13,964 and \$2,800, respectively, to reflect the correct attrition adjustment. (Small)

ISSUE 46: Should an adjustment be made to reallocate the salary of SSU's president (Audit Disclosure No. 16)?

POSITION: Yes. An adjustment should be made to reallocate the salary of SSU's president in the following manner (Small):

SSU, President	70%
Heater Utilities, CEO	15%
Minnesota Power, Exec. VP and member BODs Topeka Group	15%

ISSUE 47: Is SSU's accounting treatment for salaries of officers and directors in violation of NARUC accounting instructions?

POSITION: Yes. SSU should be required to record the salaries of officers and directors in NARUC Account Nos. 603 and 703. This adjustment is necessary if the Commission deems it

appropriate to approve any adjustment related to the Hewitt study.

ISSUE 48: Should the utility's proposed salary adjustment based on the Hewitt study be approved?

POSITION: No. The current level of salaries should not be increased. Consequently, projected test year salaries should be reduced by \$271,491 and \$198,776 for jurisdictional water and wastewater, respectively. However, if the Commission finds it appropriate to make a salary adjustment based on the Hewitt study, the adjustment should apply only to the employees related to the operation and maintenance of the utility, not to any officers or directors.

ISSUE 49: What adjustments are necessary to remove salaries and benefits associated with employee lobbying?

POSITION: Adjustments should be made to remove from test year O&M expenses all salaries and benefits paid to employees related to lobbying efforts.

ISSUE 50: Should budgeted overtime labor related to the rate case be removed from salaries expense?

POSITION: Yes. Overtime specifically budgeted for the instant rate case should be removed from test year salaries expense.

ISSUE 51: What adjustments are necessary to SSU's Hepatitis Immunization Program (Audit Disclosure No. 11)?

POSITION: The \$16,312 incurred for Hepatitis Immunizations is a nonrecurring expense and should be amortized over five years. Water miscellaneous expenses should be reduced by \$13,050. (Small)

ISSUE 52: Are any adjustments necessary to sludge hauling expense at the Beechers Point/Palm Port facility (Audit Disclosure No. 5)?

POSITION: Yes. The hauling of treated effluent should be identified as a "Purchased Sewage Treatment Expense" rather than sludge hauling; further these costs should not be treated as recurring. The utility should be

directed to determine a more cost-effective solution.
(Small)

ISSUE 53: Should SSU's requested amount of purchased power expense for Deltona Lakes be approved (Audit Disclosure No. 8)?

POSITION: No. Projected 1996 purchased power expenses for Deltona Lakes water plant should be reduced by \$56,916. (Small)

ISSUE 54: Should adjustments be made for purchased water expenses for the Enterprise water facility (Audit Disclosure No. 9)?

POSITION: If the Commission determines that the Enterprise facilities should remain in this docket, projected 1996 purchased water expenses for Enterprise should be reduced by \$22,753. (Small)

ISSUE 55: Should an adjustment be made to remove the utility's allocated share of Shareholder Services (Audit Exception No. 5)?

POSITION: Yes. 1996 A&G expenses should be reduced by \$208,776 to remove SSU's allocated share of Shareholder Services. (Small)

ISSUE 56: Should the utility's requested O&M expenses related to the Hurricane Preparedness Program be allowed (Audit Disclosure 10)?

POSITION: The \$9,670 incurred for the Hurricane Preparedness Program is a nonrecurring expense and should be amortized over five years. Water material and supplies expenses should be reduced by \$7,736. (Small)

ISSUE 57: Are adjustments appropriate to reflect gains or losses on the sale of SSU plants as above the line income?

POSITION: Yes. Gains on the sale of utility assets which previously were included in rates for any of the systems in this docket should be amortized over 5 years to above the line income. The final amounts are subject to further development of the record. However, adjustments are necessary to reflect the amortization of the following gains:

Spring Hill WWTP, Parcel No. 8	\$127,458
River Park Water Treatment Plant	\$54,928

ISSUE 58: What are the appropriate conservation program costs that should be allowed?

POSITION: No position pending further development of the record.

ISSUE 59: What is the appropriate amount of current rate case expense associated with Docket No. 950495-WS?

POSITION: No position pending further development of the record. However, only prudently incurred rate case expense should be allowed.

ISSUE 60: What is the appropriate treatment for regulatory commission expense associated with Docket No. 930880-WS (Uniform Rate Investigation Docket)?

POSITION: The expenses associated with Docket No. 930880-WS should be removed from rate case expense for the instant filing. No legal expenses associated with the appeal should be included in the instant filing.

ISSUE 61: What is the appropriate treatment for regulatory commission expense associated with Docket No. 930945-WS (Jurisdiction Docket)?

POSITION: The costs associated with Docket No. 930945-WS are nonrecurring expenses. Those costs should either be completely disallowed or amortized over 5 years to all SSU plants.

ISSUE 62: What is the appropriate treatment for unrecovered rate case expense from Docket No. 920199-WS (Prior Rate Case Docket)?

POSITION: The unrecovered rate case expense associated with Docket No. 920199-WS should be removed from rate case expense for the instant filing.

TAXES OTHER THAN INCOME

ISSUE 63: Is an adjustment appropriate to reduce regulatory assessment fees related to Marco Shores purchased water from Marco Island (Audit Exception No. 4)?

POSITION: Yes. Water regulatory assessment fees for Marco Island should be reduced by \$3,118. (Small)

ISSUE 64: Are adjustments necessary to property taxes for used and useful plant adjustments?

POSITION: The amounts are subject to the final determination of used and useful plant on a per plant basis. However, any adjustment which would increase the amount of property taxes above the actual tax bill at its highest discount level should be disallowed.

INCOME TAX EXPENSE

ISSUE 65: Is a parent debt adjustment appropriate, and if so, what is the proper amount and the method of allocation to the individual plants?

POSITION: A parent debt adjustment (PDA) is appropriate, in accordance with Rule 25-14.004, Florida Administrative Code. The PDA as filed should be adjusted to remove \$33,600,000 from Minnesota Power & Light's capital structure balance of accumulated deferred income taxes (11/02/95 Bruce Gangnon, deposition transcript, pages 54-55 and 106-107). Further adjustments should be made with the development of the record and the resolution of other issues. The PDA should be allocated to the individual plants on the basis of rate base.

ISSUE 66: What is the above-the-line amount of ITC amortization and what is the appropriate method for allocating the above-the-line ITC amortization to the individual plants?

POSITION: Regarding the appropriate amount of above-the-line ITC amortization, no position pending further development of the record and the resolution of other issues. However, the resulting amount should be allocated to the plants on the basis of gross plant.

ISSUE 67: Is an ITC interest synchronization adjustment appropriate, and if so, what is the proper amount and the proper method of allocation to the individual plants?

POSITION: Yes, an ITC interest synchronization adjustment is appropriate, if the ITCs are included in the capital structure at a net positive cost rate. Regarding the proper amount, no position pending review of discovery received, further discovery, and the resolution of other issues. The resulting amount should be allocated to individual plants on the basis of gross plant.

ISSUE 68: What is the appropriate provision for test year income tax expense, in total?

POSITION: Income tax expense should be reduced for state income taxes, which are zero because of state net operating loss carry forwards. The appropriate amount of federal income tax expense is dependent upon the resolution of other issues.

TEST YEAR OPERATING INCOME

ISSUE 69: What are the test year operating income amounts before any revenue increase in total and by plant?

POSITION: The final amounts are subject to the resolution of other issues.

REVENUE REQUIREMENT

ISSUE 70: Should SSU's revenue requirement be calculated on a total PSC jurisdictional or individual plant specific basis?

POSITION: Revenues should be calculated on a plant specific basis.

ISSUE 71: What are the revenue requirements in total and by plant?

POSITION: The final amounts are subject to the resolution of other issues.

RATES AND RATE STRUCTURE

ISSUE 72: Are SSU's facilities and land functionally related and if so does the combination of functionally related

facilities and land, wherever located, constitute a single system as defined under Section 367.021(11), Florida Statutes?

POSITION: Pursuant to Citrus County v. Southern States Utilities, Inc., 656 So. 2d 1307 (Fla. 1st DCA 1995), a uniform rate structure may only be approved if the utility demonstrates that its facilities and land are functionally related. Although a decision has been made in Docket No. 930945-WS that SSU's facilities and land are functionally related, a determination cannot be made for the purposes of this proceeding, if necessary, until further development of the record. It should also be noted that the Commission's final order in Docket No. 930945-WS has been appealed.

ISSUE 73: What are the appropriate billing determinants for the projected test year in this case (customers - projections of growth; consumption - growth and elasticity adjustments)?

POSITION: No position pending further development of the record.

ISSUE 74: Should the utility's proposed weather normalization clause be implemented?

POSITION: No position pending further development of the record.

ISSUE 75: Should rates be adjusted for any service areas for the purpose of encouraging water conservation?

POSITION: No position pending further development of the record.

ISSUE 76: What is/are the appropriate bulk rate(s)?

POSITION: No position pending further development of the record.

ISSUE 77: In light of Section 367.0817, Florida Statutes, should any of the revenue requirements associated with reuse be allocated to the water customers of those facilities?

POSITION: No position pending further development of the record.

ISSUE 78: What are the appropriate rates for reuse customers in this case?

POSITION: No position pending further development of the record.

ISSUE 79: What are the appropriate miscellaneous service charges for this utility?

POSITION: No position pending further development of the record.

ISSUE 80: What goals and objectives of the Commission are appropriate to consider in determining the appropriate rate structure and service availability for SSU?

POSITION: According to Staff witnesses Beecher and Shafer, the Commission should consider its goals and objectives in choosing a rate structure for SSU. However, a determination of which goals and objectives are appropriate can only be made by the Commission following a full review of the record. (Shafer, Beecher)

ISSUE 81: What is the appropriate rate structure for SSU in this docket?

POSITION: No position pending further development of the record. (Shafer, Beecher, Casey, Starling)

ISSUE 82: What are the appropriate rates for wastewater-only residential customers?

POSITION: No position pending further development of the record.

ISSUE 83: If a capped rate structure is approved, what should be the treatment for indexes and pass throughs on a going forward basis?

POSITION: No position pending further development of the record.

ISSUE 84: What are the appropriate rates for SSU?

POSITION: The final rates are subject to the resolution of other issues.

ISSUE 85: What are the appropriate amounts 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 final amounts are subject to the resolution of other issues.

ISSUE 86: 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?

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

SERVICE AVAILABILITY

ISSUE 87: What are the appropriate meter installation and service installation charges for this utility?

POSITION: No position pending further development of the record.

ISSUE 88: What are the appropriate line extension charges for this utility?

POSITION: No position pending further development of the record.

ISSUE 89: Should the utility's plant capacity charges be differentiated by type of treatment?

POSITION: According to Staff witness Williams, the service availability charges should be consistent with the Commission-approved rate structure. Staff has no further position on this issue pending further development of the record. (Williams)

ISSUE 90: Should the utility's plant capacity charges be differentiated by the level of CIAC of the service area?

POSITION: According to Staff witness Williams, the service availability charges should be consistent with the Commission-approved rate structure. Staff has no further position on this issue pending further development of the record. (Williams)

ISSUE 91: Should the utility's plant capacity charges include a provision for replacement costs as well as plant added for growth?

POSITION: According to Staff witness Williams, the service availability charges should be consistent with the Commission-approved rate structure. Staff has no further position on this issue pending further development of the record. (Williams)

ISSUE 92: What are the appropriate service availability charges for each plant?

POSITION: The appropriate charges are subject to the resolution of other issues.

OTHER OR MISCELLANEOUS ISSUES

ISSUE 93: Should the utility's requested AFPI charges be approved?

POSITION: The appropriate charges are subject to the resolution of other issues.

ISSUE 94: What are the appropriate annual and monthly discounted rates, and the effective date for AFUDC?

POSITION: The appropriate AFUDC annual and monthly rates are subject to the resolution of the issue regarding the overall cost of capital. The effective date of the AFUDC charge should be January 1, 1997, the month following the end of the period used to determine the AFUDC rate.

ISSUE 95: Should the utility be required to offer the option of electronic funds transfer for direct payment of customer bills?

POSITION: No position pending further development of the record.

ISSUE 96: Are the utility's books and records in compliance with Rule 25-30.450, Florida Administrative Code (Audit Exception No. 1)?

POSITION: No. SSU's books and records are not in compliance with the above mentioned rule. This rule requires that documents supporting a rate filing be organized in a

systematic and rational manner so as to enable Commission personnel to verify the schedules in an expedient manner and minimum amount of time. Further, the utility should be required to compile its MFRs so that the beginning balances in the MFRs agree with the balances shown on the utility's books. Adjustments should then be made to reflect changes from the books to the amounts requested for ratemaking purposes. (Dodrill)

LEGAL ISSUE

ISSUE 97: With respect to Sections 367.0817 and 403.064, Florida Statutes, should reuse facilities be considered 100% used and useful?

POSITION: No. Those statutes provide for the recovery of the full, prudently incurred cost through rate structure. Those statutes do not mandate a 100% used and useful determination for reuse facilities.

E. Stipulated Issues

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

F. Pending Matters

The following matters are pending before the Commission:

SSU's Objections to OPC's Production of Document Requests Nos. 307, 310-12, filed March 12, 1996


Citrus County's Amended Petition to Intervene, filed March 12, 1996

OPC and Intervenor's Motion to Dismiss and Request for Evidentiary Hearing, filed March 12, 1996

Citrus County's Motion to Dismiss, filed March 22, 1996

G. Requirements That Cannot Be Complied With

There are no requirements of Order No. PSC-95-1208-PCO-WS that cannot be complied with at this time.



Margaret E. O'Sullivan
Staff Counsel

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
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APPENDIX A

EXHIBITS:

Janice Beecher	JAB-1	Resume
	JAB-2	Chart: Commission-regulated Water and Wastewater utilities
	JAB-3	Quick Survey on Single Tariff Pricing
	JAB-4	Summary of State Commission Policies on Single-Tariff Pricing for Water Utilities
	JAB-5	Commission Policies on Single-Tariff Pricing for Water Utilities
	JAB-6	Multi-System Water Utilities and Single-Tariff Pricing
	JAB-7	Comparative Analysis of Multi-System Utilities with and Without Single-Tariff Pricing
	JAB-8	Arguments in Favor of Single-Tariff Pricing
	JAB-9	Arguments Against Single-Tariff Pricing
Robert Casey	RJC-1	Analysis of Rates at Changing Contribution Levels for Water
	RJC-2	Analysis of Rates at Changing Contribution Levels for Wastewater
	RJC-3	Engineering Models for Hypothetical Company
Robert Dodrill	RFD-1	Audit Exception No. 1: SSU's Books and Records
	RFD-2	Audit Workpapers: 1994 Plant in Service Reconciliation
	RFD-3	Audit Exception No. 2: Collier Property Condemnation
	RFD-4	Audit Exception No. 3: Reclassification of Deferred Debits for Water Source/Dude Property

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	RFD-5	Audit Exception No. 10: Workpapers re: Information Regarding Organization Costs
	RFD-6	Audit Disclosure No. 17: Future Plant Remaining in Utility Plant in Service
	RFD-7	Audit Disclosure No. 18: Organization Costs
Andrew Maurey	ALM-1	Index of Schedules
	ALM-2	Derivation of Leverage Formula: Summary of Results
	ALM-3	DCF Analysis of Water Index
	ALM-4	Two-Stage DCF Model
	ALM-5	Risk Premium Model and Inputs
	ALM-6	CAPM Cost of Equity for Water and Wastewater Industry
	ALM-7	Bond Yield Differentials
	ALM-8	<u>Value Line</u> May 1995 Equity Ratios of Water Index Companies
	ALM-9	<u>Moody's</u> May 1995 Equity Ratios of Natural Gas Index Companies
Nancy Pruitt	NEP-1	SSU Complaints Six Year Comparison
	NEP-2	SSU Major Types of Complaints for 1994 and 1995
Gregory Shaefer	GLS-1	Rate Option Summary Analysis
Jeffrey Small	JAS-1	Audit Exception No. 4: Purchased Water Adjustments for Marco Shores
	JAS-2	Audit Exception No. 4: Audit Workpapers
	JAS-3	Audit Disclosure No. 7: Audit Workpapers
	JAS-4	Audit Disclosure No. 8: Audit Workpapers
	JAS-5	Audit Disclosure No. 11: Audit Workpapers
John Starling	JMS-1	SSU Water Plants Types of Treatment
	JMS-2	Hypothetical Capital Costs
	JMS-3	Hypothetical System Expenses

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	JMS-4	Water Treatment Plant Capital Costs
Charleston Winston	CJW-1	Composite: Audit Report and Audit Exceptions Nos. 7 - 9; Audit Disclosures Nos. 1, 3, 12 - 14
Clarence Anderson, Jr.	CCA-1	Consent Order and Documentation: Stone Island/Enterprise
	CCA-2	Warning Letter/Consent Order: Valencia Terrace
	CCA-3	Warning Letter/Consent Order: Deltona Lakes
Scott Breitenstein	SAB-1	Letter: Backup Well/Plant at Tropical Park
J. Lee Faircloth	JFL-1	Letter: Sanitary Survey at Deltona Water System
Phyllis James	PJ-1	Warning Letter/Consent Order: Apache Shores
Debra Laisure	DL-1	Water Treatment Plant Compliance Inspection Report: Fern Park
	DL-2	Sanitary Survey: Fern Park
	DL-3	Water Treatment Plant Compliance Inspection Report: Lake Harriet
Blanca Rodriguez	BR-1	Letters Re: Cobblestone Water Plant Improvements
	BR-2	Non-Compliance Letter and Test Results: Beacon Hills
Neal Schobert	NRS-1	Warning Letter: Marion Oaks Wastewater Plant
	NRS-2	Letter/Consent Order: Marion Oaks Wastewater Plant
	NRS-3	Letter re: Consent Order for Marion Oaks Wastewater Plant

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate) DOCKET NO. 950495-WS
increase and increase in service) FILED: March 26, 1996
availability charges by Southern)
States Utilities, Inc. for)
Orange-Osceola Utilities, Inc.)
in Osceola County, and in)
Bradford, Brevard, Charlotte,)
Citrus, Clay, Collier, Duval,)
Highlands, Lake, Lee, Marion,)
Martin, Nassau, Orange, Osceola,)
Pasco, Putnam, Seminole, St.)
Johns, St. Lucie, Volusia, and)
Washington Counties.)
_____)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Commission Staff's Prehearing Statement has been furnished to the following by U.S. Mail this 26th day of March, 1996:

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Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.A.
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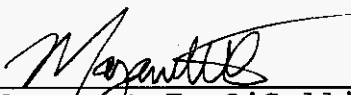
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