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April 29, 1997
VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Mad Hatter Utilities, Inc.; Docket No. 960576-WS
Application for Amendment of Water and Wastewater Certificates
Our File No. 28023.06

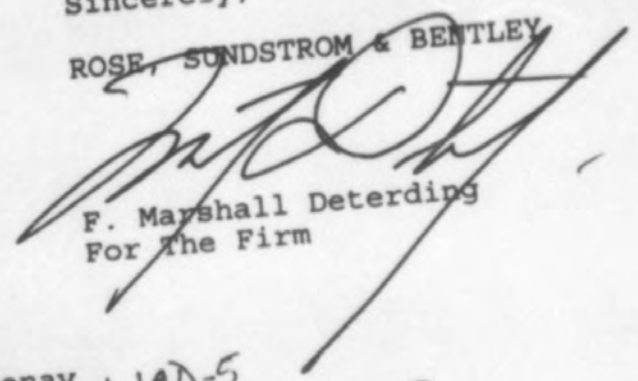
Dear Ms. Bayo:

Attached are the original and 15 copies of the rebuttal testimony and exhibits of Larry G. DeLucenay, Robert C. Nixon, CPA, and Edwin J. Rogers, P.E. submitted on behalf of Mad Hatter Utility, Inc. in the above-referenced docket.

Should you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY



F. Marshall Deterding
For The Firm

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- 3408 LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS _____
- OTH _____

FMD/lts
Enclosures

cc: Mr. Larry DeLucenay
DeLucenay
Maps exp LGD-5
WAW
Matilda

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

Nixon
DOCUMENT NUMBER-DATE
04310 APR 29 5
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DOCUMENT NUMBER-DATE
04311 APR 29 5
FPSC-RECORDS/REPORTING

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2 DOCKET NO. 960576-WS
3 MAD HATTER UTILITY, INC.
4 APPLICATION FOR AMENDMENT OF
5 WATER AND WASTEWATER CERTIFICATES
6 NOS. 340-W AND 297-S IN PASCO COUNTY
7 REBUTTAL TESTIMONY OF ROBERT C. NIXON, C.P.A.

- 8 Q. Please state your name and professional address.
- 9 A. Robert C. Nixon, C.P.A., a partner in the accounting firm
10 of Cronin, Jackson, Nixon & Wilson, P.A., 2560 Gulf-To-Bay
11 Boulevard, Suite 200, Clearwater, Florida 34625.
- 12 Q. Have you been retained by Mad Hatter Utility, Inc. to
13 provide rebuttal testimony in that company's application
14 for amendment of its water and wastewater certificates in
15 Pasco County, Florida?
- 16 A. Yes.
- 17 Q. Will you please provide a brief resume of your training
18 and experience as it relates to this case?
- 19 A. Attached as the last three pages of this testimony is a
20 brief resume of my education and training. The resume
21 also includes a list of the companies I have represented
22 in rate and other proceedings before the Florida Public
23 Service Commission.
- 24 Q. What is the purpose of your testimony?
- 25 A. To respond to the direct testimony of Michael Moses.

1 Q. Please comment generally on the value of Mad Hatter
2 Utility, Inc., as contained in Mr. Moses' testimony.

3 A. As a general comment, I see no relevance of the value (or
4 lack thereof) established by Mr. Moses to this proceeding.
5 His valuation, dated August 11, 1991, is almost six years
6 old, and is based on a very dubious assumption. Since
7 this proceeding involves a request for extension of
8 service territory by Mad Hatter Utility, whatever value
9 the Utility had in a hypothetical sale to a private buyer
10 almost six years ago is irrelevant to this proceeding.

11 Q. What is the dubious assumption on which Mr. Moses'
12 valuation is based?

13 A. Mr. Moses' opinion that Mad Hatter Utility has no value is
14 based on the assumption that a private buyer would have to
15 assume the debt of Mad Hatter Utility, Inc. In my
16 experience, this purchase scenario is extremely rare. In
17 fact, I have never been involved in a utility sales
18 transaction where a buyer would even consider assuming
19 utility debt. Unfortunately, the situation where debt
20 exceeds rate base is very common in Florida.

21 Q. What opinion of value has Mr. Moses really given?

22 A. In essence, Mr. Moses valued the Utility in the hands of
23 the owners.

24 Q. Would the Public Service Commission place a higher value
25 on the Utility than has Mr. Moses?

1 A. Yes. The Commission would at least conclude that the
2 Utility is worth rate base, even though debt may exceed
3 rate base. Also, a private buyer would be willing to pay
4 at least rate base for the Company. In any event, I fail
5 to see the relevance of utility value as it relates to
6 this territory expansion case.

7 Q. On page 3 of his testimony, Mr. Moses indicates that Mad
8 Hatter Utility does not have the capability of borrowing
9 any money for constructing additional utility plant.
10 Please comment.

11 A. In April, 1994, Mad Hatter restructured and refinanced its
12 existing debt with CoBank. Since that time, Mad Hatter
13 has serviced this debt on a timely basis. As I
14 understand, CoBank has indicated a willingness to consider
15 additional financing for plant expansion in a letter to
16 Mr. DeLucenay dated April 17, 1997, from Mr. John Cole,
17 Vice President. Since 1994, Mad Hatter's cash flow has
18 gradually improved and will be even better once it is no
19 longer incurring substantial costs for litigation. Thus,
20 I believe Mad Hatter would have the capability of
21 borrowing money for additional plant expansion, if
22 necessary.

23 However, substantial new investment may not be
24 necessary if Mad Hatter can obtain additional wastewater
25 capacity from Pasco County. According to the testimony of

1 Mr. Bramlett, the County will have 4 mgd. of new
2 wastewater capacity available by July, 1997. Both Mad
3 Hatter and the County would mutually benefit from an
4 additional allocation of capacity to Mad Hatter.

5 Q. Do you have anything further to add?

6 A. Not at this time.

1 Resume

2 Robert C. Nixon

3 Robert C. (Bob) Nixon has a Bachelor of Science Degree in
4 Business Administration from the University of Florida and a
5 Bachelor of Arts Degree in Accounting from the University of
6 South Florida. He was employed by the City of Tampa as an
7 accountant for two years and by the Florida Public Service
8 Commission as an auditor for two years.

9 Bob is Vice President and Secretary of Cronin, Jackson,
10 Nixon & Wilson and has been with the firm since 1981. He is
11 responsible for the firm's regulated utility services
12 practice. He is a Certified Public Accountant and a member of
13 the American Institute of Certified Public Accountants. Bob
14 was a Director of the Florida Waterworks Association from 1986
15 through 1993.

16 Bob's practice currently provides various services to
17 approximately 55 investor-owned utilities regulated by the
18 Florida Public Service Commission. Such services include
19 rate, service availability and original certificate
20 applications; assistance with over earnings investigations,
21 CIAC gross-up applications and reports; preparation of Annual
22 Reports and financial statements; utility valuations and tax
23 services.

24 Bob's experience in rate and other proceedings before the
25 Florida Public Service Commission includes representation of

1 the following companies:

2	<u>Name of Company</u>	<u>Order No.</u>	<u>Date</u>
3	Clay Utility Company	14305	04/22/85
4	Twin County Utility Company	14380	05/17/85
5	Sanlando Utilities Corp.	15887	03/25/86
6	Park Manor Waterworks, Inc.	15831	03/12/86
7	Forest Utilities, Inc.	14557	07/10/85
8	Eagle Ridge Utilities, Inc.	14133	02/17/85
9	Martin Downs Utilities, Inc.	17269	03/10/87
10	Ocean Reef Utility Co.	17532	05/08/87
11	Rolling Oaks Utilities, Inc.	17760	06/06/87
12	St. Johns Service Company	18551	12/15/87
13	Limited investigation into		
14	rate settling procedures and		
15	alternatives for water and		
16	sewer companies	21202	05/08/89
17	Radnor Plantation Corp. DBA		
18	Plantation Utilities	21415	06/20/89
19	Hydratech Utilities, Inc.	22226	11/27/89
20	Martin Downs Utilities, Inc.	22869	04/27/90
21	Request by Florida Waterworks		
22	Association for investigation		
23	of proposed repeal of		
24	Section 118(b) IRC (CIAC)	23541	10/01/90
25	Southern States Utilities, Inc.	24715	06/26/91

	<u>Name of Company</u>	<u>Order No.</u>	<u>Date</u>
1			
2	FFEC-Six, Ltd.	24733	07/01/91
3	East Central Florida Services	PSC-92-0104-FOF	03/27/92
4	Aloha Utilities, Inc.	PSC-92-0578-FOF-SU	06/29/93
5	Mad Hatter Utility, Inc.	PSC-93-0295-FOF-WS	02/24/93
6	Lehigh Utilities, Inc.	PSC-93-0301-FOF-WS	02/25/93
7	Jasmine Lakes Utility Corp.	PSC-93-1675-FOF-WS	11/18/93
8	Gulf Utility Company	PSC-93-1207-FOF-WS	08/18/93
9	Key Haven Utility Company	PSC-94-1557-S-SU	12/13/94
10	JJ's Mobile Homes, Inc.	PSC-95-1319-FOF-WS	10/30/95
11	Rainbow Springs Utilities, L.C.	PSC-96-1229-FOF-WS	09/30/96
12	Aloha Utilities, Inc.	PSC-97-0280-FOF-WS	03/12/97
13	Gulf Utility Company	Docket No. 960329-WS	Pending