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June 30, 2000

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Blanca L. Bayó
Director, Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket Nos. 990696-WS and 992040-WS

Dear Ms. Bayó:

Enclosed for filing on behalf of Nocatee Utility Corporation and DDI, Inc. are the original and fifteen copies of their Prehearing Statement. Also enclosed is a diskette for your convenience.

By copy of this letter, this document has been furnished to the parties on the service list. If you have any questions regarding this filing, please call.

Very truly yours,



Richard D. Melson

RDM/mee

Enclosures

APP
CAF
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cc: Mr. O'Steen
Mr. Skelton
Mr. Miller

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In re: Application for original) certificates to operate water) and wastewater utility in Duval) and St. Johns Counties by) Nocatee Utility Corporation)	Docket No. 990696-WS
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In re: Application for) certificates to operate water and) wastewater utility in Duval and) St. Johns Counties by) Intercoastal Utilities, Inc.)	Docket No. 992040-WS Filed: June 30, 2000

**PREHEARING STATEMENT OF
NOCATEE UTILITY CORPORATION AND DDI, INC.**

Nocatee Utility Corporation ("NUC") and DDI, Inc. and Estuary Corporation (collectively "DDI") file this prehearing statement in compliance with the requirements the Order Establishing Procedure.

APPEARANCES: Richard D. Melson, Hopping Green Sams & Smith, P.A., P.O. Box 6526, Tallahassee, FL 32314, appearing on behalf of Nocatee Utility Corporation, DDI, Inc. and Estuary Corporation.

A. Known Witnesses: Nocatee and DDI intend to present the testimony of the following witnesses:

<u>WITNESS</u>	<u>ISSUES</u>
DIRECT	
H. Jay Skelton	1, 2, 3, 7, 8
Douglas C. Miller	1, 3, 4, 7, 8
Deborah D. Swain	5, 6, 8

INTERVENOR

H. Jay Skelton 7, 9, 17
Douglas C. Miller 9, 10, 12, 13, 17
Deborah D. Swain 11, 14, 15, 17

REBUTTAL

Douglas C. Miller 8, 12, 13, 17
Deborah D. Swain 11, 14, 15, 17

NUC and DDI reserve the right to call witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony to address issues not presently identified that may be designated by the Prehearing Officer at the Prehearing Conference to be held on July 12, 2000.

B. Known Exhibits: Nocatee and DDI intend to offer the following exhibits. They reserve the right to use demonstrative exhibits and additional exhibits for purposes of cross-examination.

<u>WITNESS</u>	<u>EXHIBIT</u>	<u>DESCRIPTION</u>
H. Jay Skelton	---	NUC Application and Exhibits H, I, J, M, N
	HJS-1	DDI, Inc. Consolidated Financial Statements
	HJS-2	Master Service Agreement
	HJS-3	Intercoastal Proposed Territory vs. DDI/Estuary Land Holdings
Douglas C. Miller	---	NUC Application Exhibits A-G and K-L and Supplemental Exhibit Q

DCM-1	Vitae
DCM-2	NUC Phase I Map
DCM-3	Summary of Water, Wastewater and Reuse Demand by Phase
DCM-4	Letter of Intent between DDI, Inc. and JEA
DCM-5	JEA Service Availability Letter and Request
DCM-6	Nocatee Master Water, Wastewater and Reuse Plans - Phase I
DCM-7	Nocatee Master Water, Wastewater and Reuse Plans - Buildout
DCM-8	Water, Wastewater and Reuse Facility Cost Estimates - Phase I
DCM-9	St. Johns County Water and Sewer Authority Preliminary Order Denying Intercoastal's Certificate Amendment Application
DCM-10	St. Johns County Board of County Commissioners Final Order Confirming the Water and Sewer Authority's Preliminary Order
DCM-11	Excerpts from Nocatee's Application for Development Approval
DCM-12	Utility Service Agreement Between Walden Chase and St. Johns County
DCM-13	Letter re Interim Service to Walden Chase
Deborah D. Swain	--- NUC Application Supplemental Exhibits O-P and R-U

DDS-1	Qualifications
DDS-2	NUC Schedule of Rates and Charges
DDS-3	NUC Schedules Supporting Calculation of Water Rates and Charges
DDS-4	NUC Schedules Supporting Calculation of Wastewater Rates and Charges
DDS-5	NUC Schedules Supporting Calculation of Reuse Rates and Charges
DDS-6	Intercoastal Utilities Financial Report dated August 31, 1998
DDS-7	Excerpts from Intercoastal Utilities, Inc. Annual Report for 1998
DDS-8	Comparison of NUC Rates to Intercoastal Rates
DDS-9	Summary of Intercoastal's Projected Revenue Requirements
DDS-10	Schedule of Reuse Rates and Revenues Generated (Revised Reuse Rate Proposal)
DDS-11	NUC Schedules Supporting Calculation of Revised Reuse Rates and Charges

C. Basic Position: This consolidated docket involves competing applications to provide service to territory in Duval and St. Johns Counties. Nocatee Utility Corporation (NUC) is a wholly-owned subsidiary of DDI, Inc. DDI is the owner of approximately 15,000 acres of land located west of the Intracoastal Waterway in Duval and St. Johns County that is being

permitted for development as the Nocatee Development of Regional Impact. NUC has a Letter of Intent with JEA under which NUC will obtain bulk water, wastewater and reuse service from JEA in quantities and time frames which meet the needs of the development. As an affiliate of the landowner of a major development project, NUC is uniquely positioned to provide service in a way that is consistent with the overall plans and needs of the development, including its strong environmental ethic. DDI is also the owner of additional land in Duval and St. Johns County which is not planned for development and which has no need for service.

Intercoastal Utilities, Inc. (Intercoastal) is an existing single-county utility whose service territory is located east of the Intracoastal Waterway in St. Johns County. Intercoastal's application includes the Nocatee development which NUC proposes to serve, additional DDI lands in St. Johns County which have no need for service, and two other proposed developments in St. Johns County which St. Johns County is serving or plans to serve. Intercoastal's current plan of service (which has changed repeatedly over the past two years) involves the construction of new facilities west of the Intracoastal Waterway, use of groundwater to supplement reuse for irrigation purposes, and wet weather discharges into the Intracoastal Waterway. These features are inconsistent with the expected development order conditions for the Nocatee development; hence Intercoastal's plan

of service is not technically feasible. Additionally, following a six day evidentiary hearing, St. Johns County previously denied Intercoastal's application to extend its service area to include the portion of its requested territory that is located in St. Johns County.

When all factors are considered, including the need for service, the financial and technical capabilities of the parties, the projected rates, the feasibility of the plans for service, and the landowner's preference, it is in the public interest to grant NUC's application and to deny Intercoastal's application.

D.-F. Issues: NUC and DDI believe that the following issues of fact, law and policy need to be resolved in these dockets.

Issue 1: Is there a need for service in the territory proposed by NUC's application, and if so, when will service be required?

NUC/DDI: Yes. The boundaries of NUC's proposed territory are the same as those of the Nocatee development which is currently undergoing review as a Development of Regional Impact. NUC expects that service will be required beginning in 2001. (Skelton, Miller)

Issue 2: Does NUC have the financial ability to serve the requested territory?

NUC/DDI: Yes. NUC has entered into a Master Service Agreement with DDI, Inc. to ensure funding for utility construction and operations until the utility becomes self-sufficient. DDI has ample net worth to fund the utility operations during this period. (Skelton)

Issue 3: Does NUC have the technical ability to serve the requested territory?

NUC/DDI: Yes. NUC's parent company, DDI, has entered into a

Letter of Intent for NUC to obtain bulk water, wastewater and reuse service from JEA. NUC intends to enter into a contract with a third party to provide line maintenance, meter reading, billing, customer service, and other aspects of day-to-day operations. NUC has also assembled a team of consultants with experience in utility planning and ratemaking. (Skelton, Miller)

Issue 4: Does NUC have the plant capacity to serve the requested territory?

NUC/DDI: Yes. NUC's parent company, DDI, has a Letter of Intent for NUC to obtain bulk water, wastewater and reuse service from JEA. JEA has the capacity to serve the requested territory, including the capacity to provide sufficient reuse for the utility's needs from the outset of the project. (Miller)

Issue 5: What are the appropriate water and wastewater rates and charges for NUC?

NUC/DDI: The appropriate water and wastewater rates and charges for NUC are designed to recover the utility's cost of providing service, and a reasonable return, at the time the first phase of the utility system is projected to reach 80% of capacity. These rates and charges are shown on Exhibit DDS-2. (Swain)

Issue 6: What are the appropriate reuse rates and charges for NUC?

NUC/DDI: The appropriate reuse rates are ones that will recover the utility's cost while not being so high as to discourage reuse. The rates shown on Exhibit DDS-10 have been redesigned to reduce the charge to large users while keeping the average monthly residential bill at an affordable level. These are the appropriate reuse rates and charges for NUC. (Swain)

Issue 7: What is the landowner's service preference and what weight should the Commission give to that preference?

NUC/DDI: The landowner prefers to receive service from NUC. By retaining control over utility planning and operations, the landowner is in the best position to ensure that its environmental goals are met while providing service on a timely basis in the quantities required to meet the needs of the development. The Commission should give significant weight to this landowner preference. (Skelton, Miller)

Issue 8: Is it in the public interest for NUC to be granted a water certificate and wastewater certificate for the territory proposed in its application?

NUC/DDI: Yes. (Skelton, Miller, Swain)

Issue 9: Is there a need for service in the territory proposed by Intercoastal's application, and if so, when will service be required?

NUC/DDI: There is a need for service beginning in 2001 in the portion of Intercoastal's proposed territory comprising the Nocatee development. There is no need for service to the DDI lands outside Nocatee that have been included in Intercoastal's application. NUC understands that service is required in 2000 to the Walden Chase development included in Intercoastal's application and that the Walden Chase developer has arranged to receive service from St. Johns County under a bulk service arrangement between the County and JEA. Thus there is no need that will not be satisfied either by NUC's proposal or by facilities that are under construction by JEA. (Skelton, Miller)

Issue 10: Is Intercoastal's application for the St. Johns County portion of its proposed territory barred by the doctrine of res judicata and/or collateral estoppel.

NUC/DDI: Yes. Intercoastal fully litigated an application to serve the St. Johns County portion of its proposed territory before the County, which denied its application. The Commission should honor that decision, and apply the doctrines of res judicata and/or collateral estoppel to bar Intercoastal from re-litigating its right to serve the St. Johns County portion of its proposed territory expansion. (Miller)

Issue 11: Does Intercoastal have the financial ability to serve the requested territory?

NUC/DDI: Intercoastal's financial statements and financial projections raise grave concerns about its ability to provide adequate service to the requested territory over the long term. (Swain)

Issue 12: Does Intercoastal have the technical ability to serve the requested territory?

NUC/DDI: No. Intercoastal's plan of service is not technically

feasible in light of the conditions that are expected to be placed on the Nocatee development by its DRI development order. For example, Intercoastal's plan of service includes on-site treatment facilities, use of groundwater to supplement reuse for irrigation purposes, and wet weather discharges to the Intracoastal Waterway, all of which are inconsistent with the Application for Development Approval for Nocatee. (Miller)

Issue 13: Does Intercoastal have the plant capacity to serve the requested territory?

NUC/DDI: No. Intercoastal's plan of service requires the construction of new water, wastewater and reuse facilities on the west side of the Intracoastal Waterway. (Miller)

Issue 14: What are the appropriate water and wastewater rates and charges for Intercoastal?

NUC/DDI: Intercoastal appears to be requesting that its existing rates and charges be applied to the expansion territory. However, its financial projections show that the rates are insufficient to produce a reasonable return on its investment and that they produce insufficient net operating income to pay interest on its existing and projected debt. (Swain)

Issue 15: What are the appropriate reuse rates and charges for Intercoastal?

NUC/DDI: Intercoastal has not asked the Commission to establish specific reuse rates and charges, therefore the appropriate rates are unknown. (Swain)

Issue 16: Do Intercoastal's existing customers support the proposed extension of its service territory and what weight should the Commission give to their preference?

NUC/DDI: Intercoastal's existing customers have expressed concerns regarding the quality of service received from Intercoastal and appear to oppose the extension of its service territory. The Commission should consider this customer preference in making its ultimate decision in this proceeding.

Issue 17: Is it in the public interest for Intercoastal to be granted a water certificate and wastewater certificate for the territory proposed in its application?

NUC/DDI: No. (Skelton, Miller, Swain)


G. Stipulations. No issues have been stipulated at this time.

H. Pending Matters. NUC and DDI have no pending motions or other matters that require action at this time.

I. Requirements of Order on Procedure. NUC and DDI have not identified any requirements of the Order on Procedure that cannot be complied with.

RESPECTFULLY SUBMITTED this 30th day of June, 2000.

HOPPING GREEN SAMS & SMITH, P.A.

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing was served on the following persons by Hand Delivery(*) or U. S. Mail this 30th day of June, 2000.

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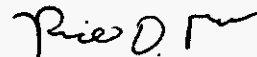
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