

ORIGINAL



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September 5, 2000

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RE: Docket No. 991643-SU

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of Citizens' Prehearing Statement for filing in the above-referenced docket.

Also Enclosed is a 3.5 inch diskette containing the Citizens' Prehearing Statement in WordPerfect for Windows 6.1 format. Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Stephen C. Burgess
Deputy Public Counsel

SCB/dsb
Enclosures

APP _____
CAF _____
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COM 3 _____
CTR _____
ECR Merchant _____
LEG 2 _____
OPC _____
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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10952 SEP-58

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase)
in wastewater rates in Seven)
Springs System in Pasco County)
by Aloha Utilities, Inc.)
_____)

Docket No. 991643-SU
Filed: September 5, 2000

CITIZENS' PREHEARING STATEMENT

The Citizens of the State of Florida, through their attorney, the Public Counsel, pursuant to Order No. PSC-00-0872-PCO-SU and Order No. PSC-00-1370-PCO-SU hereby file this Prehearing Statement for the above-referenced docket.

APPEARANCES:

STEPHEN C. BURGESS, ESQUIRE
Deputy Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida

A. WITNESSES:

The Citizens intend to call the following witnesses, who will testify on the respective subject matter:

Hugh Larkin, Jr. - Recommends numerous adjustments which are primarily accounting in nature. Each adjustment is specified in the issue identification section.

Ted L. Bidy - Used and useful.

B. EXHIBITS:

Through Mr. Larkin, the Citizens intend to introduce the following seven schedules, which can be identified on a composite basis:

- Schedule 1 - OPC Revenue Adjustments
- Schedule 2 - Adjustments to O&M
- Schedule 3 - Adjustment to depreciation expense

- Schedule 4 - Adjustment to CIAC tax amortization
- Schedule 5 - Adjustments to taxes other than Income Tax
- Schedule 6 - Adjustment to Deferred Income Taxes
- Schedule 7 - Rate Base

Through Mr. Biddy, the Citizens intend to introduce the following four exhibits, which can be identified on a composite basis:

- Schedule 1 - Collection System Analysis
- Schedule 2 - U&U Methodology
- Schedule 3 - U&U % Summary
- Schedule 4 - Plant in Service Summary

C. STATEMENT OF BASIC POSITION

The wastewater rates sought by Aloha Utilities for its Seven Springs System are excessive.

D. E. F. FACTUAL/POLICY/LEGAL ISSUES

The Citizens are not aware of any purely legal or purely policy issues to be resolved in this case. The following issues are in dispute. While primarily factual, some of the issues may encompass elements that could be considered as policy or legal in nature.

ISSUE 1: Should an adjustment be made to reduce the utility vice president's salary expense?

OPC POSITION: Yes. Account 703 Salaries & Wages - Officers should be reduced by \$15,507; Account 704 Employee Pensions & Benefits should be reduced by \$5,319; and Account 408 - Payroll Taxes should be reduced by \$1,392. These adjustments are consistent with Staff Audit Disclosure No. 4 in this Docket and prior Commission order PSC-99-1917-PAA-WS.

ISSUE 2: Should an adjustment be made to remove disallowed rate case expense from a prior docket?

OPC POSITION: Yes. The company has effectively included these disallowed expenses in the 9/30/2001 projected test year. Accounts 731, 732, 733 should be reduced by \$10,467 respectively for a total reduction of \$31,401 to reflect removal of the disallowed expenses from the projected test year. This adjustment is consistent with Staff Audit Exception No. 4.

ISSUE 3: Should an unreconcilable amount of chemical expense and materials and supplies expense be removed for rate making purposes?

OPC POSITION: Yes. Account 718 - Chemicals and Account 720 - Materials and Supplies should be reduced by \$1,223. This adjustment is consistent with Staff Audit Exception No. 5 and also reflect removal of the company's escalation of the expenses.

ISSUE 4: Should Materials & Supplies expense be reduced for items charged that should have been capitalized?

OPC POSITION: Yes. Account 720 - Materials and Supplies should be reduced by \$13,072. This adjustment is consistent with Staff Audit Exception No. 3 and also reflects removal of the company's escalation of the expense.

ISSUE 5: Should out of period loan costs be removed from expenses?

OPC POSITION: Yes. Account 732 - Contractual Services - Legal should be reduced by \$2,581. This adjustment is consistent with Staff Audit Disclosure No. 9.

ISSUE 6: Should expenses for a FDEP enforcement action be removed?

OPC POSITION: Yes. The company's stockholders should bear this expense. Therefore, Account 733 - Contractual Services - Legal should be reduced by \$27,400.

ISSUE 7: Should expenses be reduced for costs incurred in settling a dispute with FDEP concerning excess effluent discharges by Aloha Utilities?

OPC POSITION: Yes. \$20,244 should be removed from Account 775 - Miscellaneous Expenses. This adjustment also removes the company's escalation of this expense for the projected test year.

ISSUE 8: Should an adjustment be made to remove an administrative employee not required by the Consent Final Judgement issued by DEP?

OPC POSITION: Yes. Account 701 - Salaries & Wages and Account 704 - Employee Pensions & Benefits should be reduced by \$17,680 and \$2,150 respectively.

ISSUE 9: Should an adjustment be made to expenses to reflect excess inflow and infiltration?

OPC POSITION: Yes. Account 714 - Purchased Power and Account 718 - Chemicals should be reduced by \$57,604 and \$9,755 respectively representing a 23.37% reduction to these accounts.

ISSUE 10: Should Account 720 - Materials & Supplies be adjusted for an unexplained drastic increase from one year preceding the company's base year ended 9/30/99?

OPC POSITION: Yes. This account should be reduced by \$17,179 to reflect indexing of this account for customer growth and inflation from the 1998 level.

ISSUE 11: The company has hired a comptroller with an accounting background. Should an adjustment be made to expenses resulting from less need to rely on outside accounting services to maintain the company's books and records?

OPC POSITION: Yes. Account 732 - Contractual Services - Accounting should be reduced by \$7,449 to reflect the savings as a result of hiring this new employee.

ISSUE 12: Should audit costs relating to the company's bank loan be allocated to other divisions?

OPC POSITION: Yes. This bank loan benefitted divisions other than Seven Springs. Account 732 - Contractual Services should be reduced by \$3,444 representing 14.35% of the \$24,000 audit costs incurred.

ISSUE 13: Should an adjustment be made to contractual services - other?

OPC POSITION: Yes. Account 736 - Contractual Services - Other should be reduced by \$175,000 since this is new plant that is guaranteed by the manufacturer.

- ISSUE 14:** Should an adjustment be made to miscellaneous expenses?
- OPC POSITION:** Yes. Account 775 - Miscellaneous Expenses should be reduced by \$16,155. The balance after this adjustment represents the historical average for miscellaneous expenses indexed for inflation and customer growth.
- ISSUE 15:** Should depreciation expense be adjusted?
- OPC POSITION:** Depreciation expense should be reduced by \$7,227 for depreciation expense disallowed in previous orders; by \$3,224 for audit findings on AFUDC and O&M items; by \$568 for AFUDC on accounts payable; and by \$148,808 for non-used and useful plant for a total reduction to depreciation expense of \$159,827.
- ISSUE 16:** What is the appropriate period to amortize tax associated with CIAC and what adjustment should be made?
- OPC POSITION:** The composite life of 26.9 years for the CIAC assets should be used. This results in an increase in amortization of the tax by \$18,808.
- ISSUE 17:** Should the company's property tax expense be adjusted?
- OPC POSITION:** Yes. Taxes other than income should be reduced by \$23,819 to reflect the minimum amount of tax that should have been paid had the company taken advantage of the discount period. This adjustment is consistent with Staff Audit Disclosure No. 10.
- ISSUE 18:** Should deferred tax expense be reduced as a result of the proposed used and useful adjustments?
- OPC POSITION:** Yes. Deferred tax expense should be reduced by \$86,414.
- ISSUE 19:** Should plant in service, including land, be adjusted?
- OPC POSITION:** Yes. Plant and land should be reduced by \$139,352 for plant and Land disallowed in previous orders; by \$110,906 for audit findings of AFUDC and O&M expense; by \$20,124 for AFUDC on accounts payable; and by

\$4,063,872 for non-used and useful adjustments for a total reduction to plant in service of \$4,334,254.

ISSUE 20: Should accumulated depreciation be adjusted?

OPC POSITION: Yes. Accumulated depreciation should be reduced by \$73,212 for disallowed amount in prior order and by \$728,964 for non-used and useful for a total reduction to accumulated depreciation of \$802,176.

ISSUE 21: Should Accumulated CIAC be adjusted?

OPC POSITION: Yes. OPC is recommending a used and useful adjustment to the reuse transmission and distribution system. Therefore an adjustment should be made to reduce CIAC received from SWFWMD by \$245,541.

ISSUE 22: Should an adjustment be made to accumulated CIAC amortization?

OPC POSITION: Yes. Accumulated CIAC amortization should be reduced by \$27,384. This is a matching adjustment for the SWFWMD CIAC removal.

ISSUE 23: What is the appropriate amount to include in rate base for working capital?

OPC POSITION: This amount is dependent on the outcome of other issues to be decided at the formal hearing. However, at the time OPC filed testimony, adjusted working capital totaled \$210,569.

ISSUE 24: What is the appropriate amount of customer deposits?

OPC POSITION: This amount is dependent on company responses to discovery and cross examination at the hearing.

ISSUE 25: What is the appropriate amount of reuse revenue to include in the test year?

OPC POSITION: If the reuse facilities are considered 100% used and useful then revenues of \$109,500 should be imputed.

ISSUE 26: What is the appropriate used and useful percentage for the wastewater collection system?

OPC POSITION: The proper U&U percentage is 78.7%.

ISSUE 27: Should an adjustment be made in anticipation of further reductions in inflow and infiltration?

OPC POSITION: Yes, the flow should be adjusted to reflect an additional I/I reduction of 140,000 GPD.

ISSUE 28: Should operating expenses be adjusted to reflect anticipated reduction in I/I?

OPC POSITION: Yes, power and chemical expenses should be reduced by 23.37%.

ISSUE 29: Are maintenance expenses overstated because of the manufacturer's guarantee on new equipment?

OPC POSITION: Yes, Aloha has made no adjustment to reflect this factor. Unless this is addressed, the 5% expense factor should be removed.

ISSUE 30: What is the appropriate used and useful percentage for wastewater treatment plant?

OPC POSITION: The proper U&U percentage is 72.97%.

ISSUE 31: Should a used and useful adjustment be applied to the reuse facilities?

OPC POSITION: Yes, the reuse facilities should be considered 72.97% used and useful.

G. STIPULATED ISSUES:

The Citizens are not aware of any stipulations.

H. PENDING MOTIONS:

The Citizens have no pending motions.

I. PENDING REQUESTS FOR CONFIDENTIALITY:

The Citizens have no pending requests for confidentiality.

J. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

The Citizens are unaware of any requirement of the order establishing procedure that cannot be complied with.

Respectfully submitted,

Jack Shreve
Public Counsel


Stephen C. Burgess
Deputy Public Counsel

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(850) 488-9330

Attorneys for the Citizens
of the State of Florida

CERTIFICATE OF SERVICE
DOCKET NO. 991643-SU

I HEREBY CERTIFY that a copy of the foregoing CITIZENS' PREHEARING STATEMENT has been furnished by U.S. Mail or *hand-delivery to the following parties this 5th day of September, 2000.

Ralph Jaeger*
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Tallahassee, FL 32399-0850

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Stephen C. Burgess
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