

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Complaint by D.R. Horton Custom Homes, Inc. against Southlake Utilities, Inc. in Lake County regarding collection of certain AFPI charges.

DOCKET NO. 980992-WS

In re: Emergency petition by D.R. Horton Custom Homes, Inc. to eliminate authority of Southlake Utilities, Inc. to collect service availability charges and AFPI charges in Lake County.

DOCKET NO. 981609-WS

FILED: April 12, 2001

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Orders Nos. PSC-00-1461-PCO-WS and PSC-00-2267-PCO-WS, issued August 11, 2000, and November 29, 2000, respectively, the Florida Public Service Commission staff (staff) files its prehearing statement as follows:

A. All Known Witnesses

Staff intends to call the following witness:

William Troy Rendell of the Commission staff. He will testify as to the appropriateness of reassessment of service availability charges to residential connections.

B. All Known Exhibits

Staff intends to sponsor the following exhibits:

WTR-1: Letter to Samantha Cibula

WTR-2: Letter to Bart Fletcher

Staff reserves the right to use other exhibits for the purpose of cross-examination.

DOCUMENT NUMBER-DATE

04541 APR 12 01

FPSC-RECORDS/REPORTING

Staff's Statement of Basic Position

Non-testifying staff's position is that the information gathered through discovery and prefiled testimony indicates, at this point, that the utility is entitled to charge some amount of plant capacity charges, but is not entitled to continue assessing allowance-for-funds-prudently-invested (AFPI) charges. The specific amount of plant capacity charges cannot be determined until the evidence submitted at hearing is analyzed. Non-testifying staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Non-testifying staff's final positions will be based upon all of the evidence in the record and may differ from the preliminary positions. Testifying staff's positions are set forth in Issues 17 and 18, below.

C. Issues & Staff's Respective Positions

The following are issues identified by staff and its positions on these issues. Staff's positions are preliminary, are based upon materials filed by the utility and intervenor or obtained through discovery, and are intended to inform the parties of staff's preliminary positions. Staff's final positions will be based upon an analysis of the evidence presented at the hearing.

**ISSUE 1:** Should Southlake's water or wastewater plant balances, related to the office copier, be reduced by \$1,500?

**POSITION:** No, the plant balances related to the office copier should not be reduced by \$1,500 because this cost is immaterial to the determination of the appropriate service availability charges that should be approved in this case.

**ISSUE 2:** When were the 2.53 acres for the water treatment plant and the 10 acres for the wastewater treatment plant first dedicated to public use?

**POSITION:** The 2.53 acres for the water treatment plant and the 10 acres for the wastewater treatment plant were first dedicated to public use in 1991.

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**ISSUE 3:** What are the appropriate water and wastewater land balances for Southlake?

**POSITION:** The appropriate cost of the 2.53 acres for the water treatment plant should be \$7,544, and the appropriate cost of the 10 acres for the wastewater treatment plant should be \$18,880. The appropriate cost of the 5 acres purchased by the utility in 1996 for a well site should be \$20,000. The total water and wastewater land balances should be \$27,544 and \$18,880.

**ISSUE 4:** What were the appropriate water and wastewater CIAC balances as of December 31, 1998?

**POSITION:** The appropriate water and wastewater CIAC balances as of December 31, 1998, should be \$1,077,656 and \$1,412,603, respectively. Southlake's proposed reclassification of CIAC as equity relating to required refunds to the utility's related party is inappropriate. Further, the utility understated its water and wastewater CIAC balances by \$95,267 and \$121,762, respectively, that were related to mains, services, hydrants, and lift stations constructed by outside developers.

**ISSUE 5:** What was the appropriate net book value for Southlake's water and wastewater systems as of December 31, 1998?

**POSITION:** The appropriate net book value for Southlake's water and wastewater systems as of December 31, 1998 should be (\$63,574) and \$248,605.

**ISSUE 6:** What growth projections in ERCs should be used to calculate the plant capacity charges for water and wastewater?

**POSITION:** The growth projections submitted by Southlake in its prefiled testimony should be used to calculate the plant capacity charges for water and wastewater.

**ISSUE 7:** What was the capacity of Southlake's water and wastewater plants as of December 31, 1999, and how many ERCs would those plants serve?

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**POSITION:** Staff agrees with the utility that the capacity as of December 31, 1999, is 1.075 MGD at the water plant which can serve 1,365 ERCs, and 300,000 GPD at the wastewater plant which can serve 1,000 ERCs.

**ISSUE 8:** What is the correct time period to use to calculate service availability charges?

**POSITION:** Staff agrees with Southlake that the correct time period to calculate service availability charges should be to the year 2012.

**ISSUE 9:** What are the appropriate capacities and the appropriate number of water and wastewater plant expansions?

**POSITION:** Staff agrees with Southlake that the planned water plant expansions (Phases I-V) to the year 2012 will increase Maximum Day Capacity to 8.64 MGD, and the planned wastewater plant expansions to the year 2012 will increase design capacity to 3.2 MGD. The utility's plan for plant expansions appears to be reasonable.

**ISSUE 10:** What are the appropriate projected costs of the water and wastewater plant expansions?

**POSITION:** Staff agrees with Southlake that the utility's projected costs of the water and wastewater plant expansions to the year 2012 are reasonable.

**ISSUE 11:** What are the appropriate amounts of water and wastewater consumption per ERC to be used in projecting future plant capacity charges?

**POSITION:** Staff agrees with Southlake that water consumption should be calculated using the maximum day design of 787.5 GPD per ERC as required by the Department of Environmental Protection, and wastewater consumption should be calculated using the design factor of 300 GPD per ERC.

**ISSUE 12:** What are the appropriate water and wastewater plant capacity charges?

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**POSITION:** The appropriate amount of water and wastewater plant capacity charges are subject to the resolution of other issues.

**ISSUE 13:** Should refunds of the plant capacity charges, including refunds of prepaid CIAC, be required?

**POSITION:** If the final charges are less than the charges subject to refund, the utility should refund the difference in accordance with Rule 25-30.360, Florida Administrative Code.

**ISSUE 14:** Did the utility collect AFPI in excess of what the Commission authorized by Order No. PSC-96-1082-FOF-WS?

**POSITION:** Yes. The utility exceeded the authorized ERC limit for water on January 20, 2000 and exceeded the authorized ERC limit for wastewater on April 10, 1998. By Order No. PSC-96-1082-FOF-WS, only 940 and 375 ERCs for water and wastewater, respectively, were allowed to be collected subsequent to January 1, 1995.

**ISSUE 15:** Should Southlake's AFPI charges be discontinued?

**POSITION:** Yes. The utility has exceeded the amount of AFPI authorized by Order No. PSC-96-1082-FOF-WS.

**ISSUE 16:** Should refunds of AFPI charges be required?

**POSITION:** Yes. The utility should refund all AFPI collected that was not authorized by Order No. PSC-96-1082-FOF-WS.

**ISSUE 17:** Does Southlake's tariff authorize a reassessment of plant capacity charges for changed consumption for residential customers at any time after connection to the system?

**POSITION:** No. The utility's current water and wastewater tariff does not authorize a reassessment of plant capacity charges for changed consumption for residential customers at any time after connection to the system. (RENDELL)

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**ISSUE 18:** Should Southlake's Water Tariff Sheet No. 31.0 and Wastewater Tariff Sheet No. 28.0 be revised?

**POSITION:** Water and Wastewater Tariff Sheets Nos. 31.0 and 28.0, respectively, are clear. However, the provision for plant capacity charges of Southlake's current water and wastewater tariff, Sheets Nos. 31.0 and 28.0, respectively, should be revised to specifically delineate that these charges for residential customers cannot be reassessed. (RENDELL)

**ISSUE 19:** Should Southlake be fined \$5,000 for its apparent violation of Order No. PSC-96-1082-FOF-WS by collecting AFPI charges for more ERCs than were authorized by that Order?

**POSITION:** Yes.

**ISSUE 20:** Should Southlake be fined \$500 per day from May 30, 2000, until such time as the refunds are completed for its apparent failure to provide security for charges being held subject to refund as required by Order No. PSC-00-0917-SC-WS?

**POSITION:** Yes.

D. Stipulated Issues

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

E. Pending Matters

There are no matters that are pending at this time.

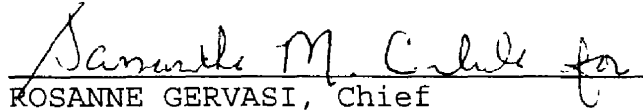
F. Pending Confidentiality Claims or Requests

There are no pending confidentiality claims or requests.

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G. Requirements That Cannot Be Complied With

There are no requirements of Orders Nos. PSC-00-1461-PCO-WS and PSC-00-2267-PCO-WS that cannot be complied with at this time.

  
ROSANNE GERVASI, Chief  
Division of Legal Services  
Bureau of Water and Wastewater

FLORIDA PUBLIC SERVICE COMMISSION  
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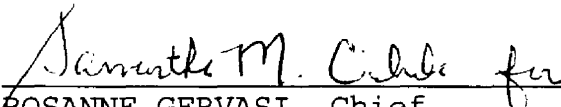
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the COMMISSION STAFF'S PREHEARING STATEMENT has been furnished to **F. Marshall Deterding, Esquire**, Rose, Sundstrom & Bentley, LLP, 2548 Blairstone Pines Dr., Tallahassee, FL 32301 and **Scott Schildberg, Esquire**, Ade & Schildberg, One Independent Drive, Suite 2000, Jacksonville, FL 32202, by regular U.S. Mail, this 12th day of April, 2001.

  
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ROSANNE GERVASI, Chief  
Division of Legal Services  
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