

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase  
in water rates in Orange County  
by Wedgefield Utilities, Inc.

DOCKET NO. 991437-WU  
FILED: JUNE 25, 2001

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-00-1895-PCO-WU, issued October 16, 2000, as revised by Order No. PSC-00-2182-PCO-WU, issued November 15, 2000, and Order No. PSC-01-0544-PCO-WU, issued March 8, 2001, the Commission Staff (Staff) files its prehearing statement as follows:

A. All Known Witnesses

Staff intends to call the following witnesses:

Robert J. Crouch of the Florida Public Service Commission Division of Economic Regulation. He will testify to the typical methodology used in determining used and useful percentages for water treatment systems and land held for future use. He will also testify on the period of time used in determining customer demand and how excessive unaccounted for water is calculated.

Dwight T. Jenkins of the St. Johns River Water Management District. He will testify to the requirements of the St. Johns Water Management District regarding conservation of water resources through implementation of water conservation measures, particularly implementation of a water conserving rate structure.

Frances J. Lingo of the Florida Public Service Commission Division of Economic Regulation. She will testify on the appropriate percentage of revenue requirement to be recovered through the base facility charge and gallonage charge, respectively.

B. All Known Exhibits

Staff has identified and intends to sponsor the following exhibits:

DOCUMENT NUMBER-DATE

07828 JUN 25 01

FPSC-RECORDS/REPORTING

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FJL-1: Cost Recovery Trade-off

FJL-2: Coverage of Fixed Costs

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

Non-testifying staff's positions are preliminary, are based upon materials filed by the utility or obtained through discovery and are intended to inform the parties of Staff's preliminary positions. 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 cannot be determined until the evidence presented at hearing is analyzed. Testifying staff's positions are set forth in issues one through six and eight.

D. Issues & Staff's Respective Positions

The following are issues identified by staff and its positions on these issues. 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.

**ISSUE 1**: What is the appropriate method for determining used and useful for source of supply and pumping, for water treatment, and for storage plant for the Wedgefield System?

**POSITION**: The appropriate method is to consider the source of supply and pumping, treatment, and storage as a single entity or system with a single used and useful percentage assigned to the system. (Crouch)

**ISSUE 2**: Should used and useful be calculated on the individual components in issue one or on the components listed in issue one as a whole?

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**POSITION:** Used and Useful should be calculated on the water supply and treatment system as a whole and not on individual components. (Crouch)

**ISSUE 3:** Based on the methodologies determined in issues one and two, what is the appropriate used and useful percentage for these components of the Wedgefield system?

**POSITION:** The water treatment system is 76% used and useful. (Crouch)

**ISSUE 4:** What is the appropriate period to consider customer demand (peak day or 5 peak day average)?

**POSITION:** The normal procedure is to consider customer demand based on the average of the five peak days. (Crouch)

**ISSUE 5A:** What is the test year percentage of unaccounted for water?

**POSITION:** Test year unaccounted for water is 27%.

**ISSUE 5B:** What is the appropriate allowance for unaccounted for water for the Wedgefield system?

**POSITION:** The Commission normally allows 10% as reasonable unaccounted for water. Any unaccounted for water over 10% should be deemed excessive. (Crouch)

**ISSUE 5C:** What adjustments should be made for excessive unaccounted for water?

**POSITION:** Based upon the data provided in its Minimum Filing Requirements, Wedgefield had 17.1% excessive unaccounted for water. The costs of chemicals and electricity used to pump and treat that excessive amount should be disallowed. (Crouch)

**ISSUE 6:** What is the appropriate used and useful percentage for the land purchased on June 18, 1999, that should be included in rate base?

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**POSITION:** The land was purchased for future, additional wells. Therefore, the land has a used and useful percentage of 25%. (Crouch)

**ISSUE 6A:** What adjustments are appropriate to reflect non-used and useful plant?

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

**ISSUE 7:** Should the utility's rate base include a negative acquisition adjustment?

**POSITION:** No. There has been no showing that the Commission made an error in fact or law in Order No. PSC-98-1092-FOF-WS. Moreover, there have been no changed circumstances that warrant inclusion of a negative acquisition adjustment.

**ISSUE 8:** What is the appropriate percentage of revenue requirement to be recovered through the base facility charge and gallonage charge, respectively?

**POSITION:** The appropriate revenue requirement allocation is 36% allocated to the base facility charge and 64% allocated to the gallonage charge. (Lingo)

**ISSUE 9:** What is the appropriate amount of additional rate case expense that should be allowed?

**POSITION:** The appropriate amount is subject to further development of the record. However, only prudently incurred rate case expense should be allowed and amortized over four years.

**ISSUE 10:** Should Wedgefield be fined in the amount of \$3,000 for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Order No. PSC-97-0531-FOF-WU, issued May 9, 1995, in Docket No. 960444-WU, for its failure to maintain its books and records in conformance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA)?

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**POSITION:** This issue was the subject of the settlement approved by the Commission in Order No. PSC-00-2388-AS-WU, issued December 13, 2000, and should be removed as an issue for this hearing.

The following issues depend upon the resolution of the issues listed above, but are identified as tentative issues in this proceeding:

**ISSUE 11:** What adjustments, if any, should be made to the utility's plant-in-service, accumulated depreciation, and depreciation expense?

**POSITION:** Staff believes that based on the testimony filed in this case, the issue of plant-in-service, accumulated depreciation, and depreciation expense is unnecessary and should be stricken.

**ISSUE 12:** What is the appropriate working capital allowance?

**POSITION:** Working capital should be calculated using the formula method or one-eighth of operation and maintenance expenses. The appropriate amount is subject to the resolution of other issues.

**ISSUE 13:** What is the appropriate rate base?

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

**ISSUE 14:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the test year ended June 30, 1999?

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

**ISSUE 15:** What is the appropriate allowance for funds used during construction (AFUDC) rate?

**POSITION:** The appropriate AFUDC rate should reflect any changes to the overall cost of capital.

**ISSUE 16:** What is the appropriate amount of rate case expense?

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**POSITION:** This issue is fully addressed by Issue 9. Therefore, this issue is unnecessary and should be stricken.

**ISSUE 17:** What adjustments, if any, should be made to the utility's property taxes?

**POSITION:** Staff believes that based on the testimony filed in this case, the issue of property taxes is unnecessary and should be stricken.

**ISSUE 18:** What is the test year operating income before any revenue increase?

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

**ISSUE 19:** What is the appropriate revenue requirement?

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

**ISSUE 20:** Is repression of consumption likely to occur, and, if so, what is the appropriate adjustment and the resulting consumption to be used to calculate consumption charges?

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

**ISSUE 21:** What are the appropriate monthly rates for water service for this utility?

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

**ISSUE 22:** What is the appropriate amount of the interim refund, if any?

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

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E. Stipulated Issues

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

F. Pending Matters

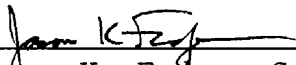
There are no matters pending at this time.

G. Pending Confidentiality Claims or Requests

There are no pending confidentiality claims or requests at this time.

H. Requirements That Cannot Be Complied With

There are no requirements of Orders Nos. PSC-00-1895-PCO-WU, PSC-00-2182-PCO-WU, and PSC-01-0544-PCO-WU that cannot be complied with at this time.

  
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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 by U.S. Mail, this 25th day of June, 2001, to the following:

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