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September 16, 2002

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

VIA HAND DELIVERY

RECEIVED - FPSC
SEP 16 PM 2:38
COMMISSION
CLERK

Re: Docket No. 020006-WS

Dear Ms. Bayo:

Enclosed herewith for filing on behalf of Florida Water Services Corporation ("Florida Water") are the following documents:

- 1. Original and fifteen copies of Florida Water's Prehearing Statement; and 09827-02
2. Original and fifteen copies of Florida Water's Motion for Continuance and Rescheduling of Remaining Controlling Dates; and 09828-02
3. A disk containing a copy of the Prehearing Statement in Word Perfect 6.0.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me. Thank you for your assistance with this filing.

Sincerely,

[Handwritten signature of Kenneth A. Hoffman]

Kenneth A. Hoffman

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Enclosures

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FPSC-BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Water and wastewater
industry annual reestablishment
on authorized range of return on
common equity for water and wastewater
utilities pursuant to Section 367.081(4)(f), F.S.

Docket No. 020006-WS

Filed: September 16, 2002

**PREHEARING STATEMENT OF
FLORIDA WATER SERVICES CORPORATION**

Florida Water Services Corporation ("Florida Water"), in compliance with the Order Establishing Procedure (Order No. PSC-02-1104-PCO-WS) issued on August 12, 2002, hereby submits its Prehearing Statement for Docket No. 020006-WS.

A. Witnesses

Florida Water proposes to call the following witness to offer testimony on the issues in this docket:

<u>Witness</u>	<u>Issues</u>
Frank Seidman (Direct and potential Rebuttal)	1-9

Pursuant to the Order Establishing Procedure, Florida Water's prehearing statement is being filed contemporaneously with any prefiled testimony filed by an Intervenor or staff, and prior to the preliminary identification of issues by the parties and staff to be resolved through the final hearing process. Accordingly, Florida Water reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct testimony and witnesses to address issues not presently designated by Florida Water in Section (D) below that may be designated by the Prehearing Officer at the prehearing conference to be held on September 30, 2002. Florida Water has listed the witness for whom Florida Water believes testimony will be filed, but reserves the right to supplement that list if necessary.

DOCUMENT NUMBER DATE

09827 SEP 16 8

FPSC-COMMISSION CLERK

B. Exhibits

None at this time subject to the filing of prefiled rebuttal testimony and exhibits.

Florida Water reserves the right to file exhibits to any testimony that may be filed under the circumstances identified in Section “A” above. Florida Water also reserves the right to introduce exhibits for cross-examination, impeachment, or any other purposes authorized by the applicable Florida Rules of Evidence and Rules of this Commission.

C. Statement of Basic Position

Pursuant to Order PSC-02-0898-PAA-WS (the “PAA Order”), issued July 5, 2002, the Commission has established the authorized range of returns on common equity for water and wastewater utilities. However, in doing so, the Commission proposes to take the unprecedented step of mandating the application of the leverage formula range of return on common equity to all water and wastewater utilities that currently have an authorized return on equity. Florida Water challenges the proposed mandated application of the leverage formula return on common equity to all water and wastewater utilities that currently have an authorized return on equity.

The Commission’s proposed mandated re-establishment of the range of returns for common equity under the leverage graph formula for water and wastewater utilities that already have a Commission-approved return on common equity violates Section 367.081(2)(a), Florida Statutes, and Section 367.081(4)(f), Florida Statutes. Florida Water also maintains that the proposed mandated re-establishment of the range of returns on common equity as set forth in the PAA Order is inconsistent with a number of statutory and historically utilized ratemaking practices, would adversely affect utility planning and budgeting, would increase rate case expense, and would create

additional uncertainty and risk that would adversely effect a utility's ability to provide quality service at the lowest possible cost.

D. Florida Water's Position on the Issues

Issue 1: Does the Commission have the legal authority under Section 367.081(4)(f), Florida Statutes, to mandate the re-establishment of a utility's rate of return on common equity by use of the leverage graph formula where a utility already has a rate of return on common equity established by the Commission?

Florida Water: No.

Issue 2: Does the Commission have the legal authority under Section 367.081(4)(f), Florida Statutes, to mandate the use of the annual leverage graph range of returns on common equity in lieu of granting a utility the opportunity to present evidence concerning an appropriate rate of return on common equity?

Florida Water: No.

Issue 3: Does the Commission's proposed mandated re-establishment of the range of returns on common equity for water and wastewater utilities violate Section 367.081(2)(a), Florida Statutes?

Florida Water: Yes.

Issue 4: Is the Commission's proposed mandated re-establishment of the range of returns on common equity for water and wastewater utilities contrary to or inconsistent with Commission statutes, rule and/or policies for establishing interim and final rates and/or analyzing whether a utility is under-earning or over-earning?

Florida Water: Yes.

Issue 5: Is the Commission's proposed re-establishment of the range of returns on common equity for water and wastewater utilities as set forth in the PAA Order arbitrary, capricious or speculative?

Florida Water: Yes.

Issue 6: Does the Commission's proposed re-establishment of the authorized range of returns on common equity for water and wastewater utilities as set forth in the PAA Order adversely affect utility planning and budgeting?

Florida Water: Yes.

Issue 7: Would the Commission's proposed re-establishment of range of returns on common equity for water and wastewater utilities as set forth in the PAA Order increase the risks and/or financing costs for Commission regulated water and wastewater utilities?

Florida Water: Yes.

Issue 8: Would the Commission's proposed re-establishment of the range of returns on common equity for water and wastewater utilities as set forth in the PAA Order adversely affect a utility's ability to attract capital funds needed to meet its service demands and to maintain financial integrity?

Florida Water: Yes.

Issue 9: Are there any other regulatory impacts arising from the Commission's proposed mandated re-establishment of the range of returns on common equity for utilities that already have a Commission approved return on common equity?

Florida Water: Yes, the Commission's proposal would likely increase rate case expense for water and wastewater utilities.

E. Stipulations

None.

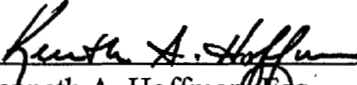
F. Pending Motions

Florida Water is not aware of any pending motions in this matter.

G. Other Requirements

None.

RESPECTFULLY submitted this 16th day of September, 2002.



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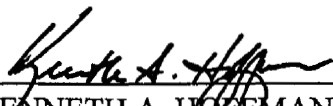
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Prehearing Statement of Florida Water Services Corporation was furnished by U.S. Mail (* hand delivery) to the following this 16th day of September, 2002:

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