

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed adoption of Rule 25-30.4325,
F.A.C., Water Treatment Plant Used and
Useful Calculations.

DOCKET NO. 070183-WU

FILED: December 17, 2007

CITIZENS' PREHEARING STATEMENT

The Citizens of the State of Florida, ("Citizens") by and through their undersigned attorney, the Office of Public Counsel ("OPC"), pursuant to the Order Establishing Procedure, Order No. PSC-07-0777-PCO-WS, issued September 25, 2007, hereby submit this Prehearing Statement:

A. ALL KNOWN WITNESSES:

1. Andrew T. Woodcock, P.E., M.B.A., will offer testimony on what he believes is the best language for a Commission rule that prescribes the proper methodologies for calculating the used and usefulness of water treatment, storage and high service pumping plant in service needed to serve current customers and customer growth prescribed by Florida Statutes.

B. ALL KNOWN EXHIBITS:

All Exhibits currently known and the witnesses supporting each exhibit is hereby listed. To the extent exhibits are added in Citizens' rebuttal testimony, OPC will file an updated prehearing statement with the filing of the rebuttal testimony.

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|----|---------------|---|
| 1. | Exhibit ATW-1 | Andrew T. Woodcock Resume |
| 2. | Exhibit ATW-2 | OPC Recommended Rule No. 25-30.4325, F.A.C. |

C. STATEMENT OF BASIC POSITION

OPC believes its recommendations concerning proposed Rule 25-30.4325, F.A.C., will afford utilities the opportunity to recover their prudent costs of providing sufficient quantity and quality of water service to current customers, plus a growth allowance based upon the requirements of Chapter 367.081(2)(a)2.b, Florida Statutes. Water service is a vital life sustaining commodity. The affordability of this vital service for current ratepayers is increasingly becoming a statewide concern. In order for the Commission to safeguard the affordability of this vital service, it is imperative that the application of the Commission's rule not result in the demand/numerator of the used and useful fraction to be overstated, and that the capacity/denominator of the used and useful fraction to be understated. It is important for the costs of growth to not be borne by current ratepayers, but for growth to pay for growth. Fairly allocating the costs to provide service to current and future customers and properly providing ways for utilities to recover its prudent costs from current and future customers is central to arriving at proper language for proposed Rule 25-30.4325, F.A.C.

D. STATEMENT OF EACH ISSUE OF FACT, LAW OR POLICY AND POSITIONS

The following are the issues of fact, law and policy which the Citizens believe are at issue in this docket. Included with each neutrally worded issue is a statement of the Citizens' position and the identification of the witness that will advance and support the position.

ISSUE 1: What is the proper definition for water treatment system?

POSITION: Paragraph (1) (a) of OPC Proposed Rule:

A water treatment system includes all facilities, such as wells and treatment facilities, excluding storage and high service pumping, necessary to pump and treat potable water.

WITNESS: Andrew T. Woodcock

ISSUE 2: What is the proper definition for storage facilities?

POSITION: Paragraph (1) (b) of OPC Proposed Rule:

Storage facilities include ground or elevated storage tanks.

WITNESS: Andrew T. Woodcock

ISSUE 3: What is the proper definition for high service pumping?

POSITION: Paragraph (1) (c) of OPC Proposed Rule:

High Service pumping includes those pumps after storage that delivers potable water to a transmission and distribution system.

WITNESS: Andrew T. Woodcock

ISSUE 4: What is the proper definition for peak demand for a water treatment system?

POSITION: Paragraph (1) (d) of OPC Proposed Rule:

Peak demand for a water treatment system includes:

1. For utilities without storage, the greater of:
 - (i) the utility's maximum hour demand, excluding excessive unaccounted for water, plus a growth allowance based on the requirements in Rule 25-30.431, F.A.C., or
 - (ii) the utility's maximum day demand, excluding excessive

unaccounted for water plus a growth allowance based on the requirements in Rule 25-30.431, F.A.C., and if provided, a minimum of either the fire flow required by local government authority or 2 hours at 500 gpm.

2. For utilities with storage, the utility's maximum day demand, excluding excessive unaccounted for water plus a growth allowance based on the requirements in Rule 25-30.431, F.A.C.

WITNESS: Andrew T. Woodcock

ISSUE 5: What is the proper definition for peak demand for storage?

POSITION: Paragraph (1) (e) of OPC Proposed Rule:

Peak demand for storage includes 25% of the utility's maximum day demand, excluding excessive unaccounted for water, plus an allowance for fire flow, if provided, a minimum of either the fire flow required by local governmental authority or 2 hours at 500 gallons per minute, and a growth allowance based on the requirements in Rule 25-30.431, F.A.C.

WITNESS: Andrew T. Woodcock

ISSUE 6: What is the proper definition for peak demand for high service pumping?

POSITION: Paragraph (1) (f) of OPC Proposed Rule:

Peak demand for high service pumping includes the greater of:

1. The utility's maximum hour demand excluding excessive unaccounted for water, plus a growth allowance based on the

requirements in Rule 25-30.431, F.A.C., or

2. The utility's maximum day demand, excluding excessive unaccounted for water plus a growth allowance based on the requirements in Rule 25-30.431, F.A.C., and if provided, a minimum of either the fire flow required by local government authority or 2 hours at 500 gpm.

WITNESS: Andrew T. Woodcock

ISSUE 7: What is the proper definition for excessive unaccounted for water?

POSITION: Paragraph (1) (g) of OPC Proposed Rule:

Excessive unaccounted for water (EUW) is potable water produced in excess of 110 percent of the accounted for usage, including water sold, water used for flushing or fire fighting, and water lost through line breaks. Any water claimed as accounted for that was used for flushing, fire fighting and water lost through line breaks must be documented by complete records of these flow losses.

WITNESS: Andrew T. Woodcock

ISSUE 8: Should the Commission's used and useful evaluation of water treatment systems include a determination as to the prudence of the investment and consideration of economies of scale?

POSTION: Pursuant to Chapter 367.081 (3), F.S., the Commission has always considered the prudent costs of providing service when fixing rates. Consideration of economies of scale, to the extent its value is documented, may also be considered as provided by paragraph (2) of OPC's Proposed Rule. Paragraph (2) of OPC Proposed Rule provides:

The used and usefulness of a water treatment system shall be calculated separately from the storage facilities. If any party believes a used and useful calculation should be utilized in a specific case which differs from the provisions of this rule, such calculation may be provided along with supporting documentation. The party proposing the alternative calculation shall have the burden to prove that the alternative calculation is more appropriate for the specific case than application of the calculation provided by this rule. Examples of such specific cases that might warrant the use of alternative U&U calculations include but are not limited to: economies of scale, service area restrictions, factors involving treatment capacity, well drawdown limitations, and changes in flow due to conservation or a reduction in the number of customers.

WITNESS: Andrew T. Woodcock

ISSUE 9: Should alternative calculations for water treatment systems and storage facilities be allowed, as provided paragraphs (3) and (11) of the Commission's Proposed Rule?

POSITION: Yes, as provided by the above paragraph (2) of OPC Proposed Rule.

WITNESS: Andrew T. Woodcock

ISSUE 10: Should the rule prescribe conditions under which a water treatment system will be considered 100% used and useful?

POSITION: No. OPC does not agree that the conditions prescribed in paragraph (4) (a) – (c) of the Commission's Proposed Rule should cause a treatment system to be considered 100% used and useful.

WITNESS: Andrew T. Woodcock

ISSUE 11: How should the used and usefulness of water treatment systems be

determined?

POSITION: Paragraph (3) of OPC Proposed Rule:

The used and usefulness of a water treatment system is determined by dividing the peak demand by the firm reliable capacity of the water treatment system.

WITNESS: Andrew T. Woodcock

ISSUE 12: What is the proper definition of firm reliable capacity of water treatment systems under various conditions, including with and without storage?

POSITION: Paragraph (4) of OPC Proposed Rule:

The firm reliable capacity of a water treatment system is equivalent to the pumping capacity of the wells, excluding the largest well for those systems with more than one well.

- (a) For systems with no storage, the firm reliable capacity shall be expressed in gallons per minute.
- (b) For systems with storage, the firm reliable capacity shall be expressed as gallons per day, based upon 24 hours of pumping, unless there is documented restrictions to the hours of pumping as required by the Water Management District or other regulatory body, in which case the restriction shall apply.

WITNESS: Andrew T. Woodcock

ISSUE 13: What is the proper definition of peak demand for water treatment systems with no storage capacity?

POSITION: Peak demand includes peak hour demand for a water treatment system

which no storage capacity. Paragraph (5) (a) of OPC Proposed Rule provides:

1. The single maximum day (SMD) in the test year where there is no unusual occurrence on that day, such as a fire or line break, less excessive unaccounted for water divided by 1440 minutes in a day times a peaking factor ranging between 1.5 to 2 $[\frac{SMD-EUW}{1,440} \times 1.5 \text{ to } 2]$, or
2. The average of the 5 highest days (AFD) within the maximum month of the test year less excessive unaccounted for water divided by 1440 minutes in a day times a peaking factor ranging between 1.5 to 2 $[\frac{AFD-EUW}{1,440} \times 1.5 \text{ to } 2]$, or
3. In determining an appropriate peaking factor in the range for a specific system consideration shall be given to the size and character of the system service area. For larger systems with a diverse customer base a lower peaking factor shall be used and conversely for smaller systems with a uniform customer base a higher peaking factor shall be used.

WITNESS: Andrew T. Woodcock

ISSUE 14: What is the proper definition of peak demand for water treatment systems with no storage capacity?

POSITION: Peak demand includes peak day demand for a water treatment system with storage capacity. Paragraphs (5) and (6) of OPC Proposed Rule provides:

Peak day demand, expressed in gallons per day, shall be calculated as follows:

- 1 The single maximum day in the test year, if there is no unusual occurrence on that day, such as a fire or line break, less excessive unaccounted for water (SMD-EUW), or
- 2 The average of the 5 highest days within the maximum month of the

test year less excessive unaccounted for water (AFD-EUW).

WITNESS: Andrew T. Woodcock

ISSUE 15: What is the proper used and useful calculation for storage?

POSITION: Paragraphs (6) and (7) of OPC Proposed Rule:

The used and usefulness of storage is determined by dividing the peak demand for storage as defined in this rule by the usable storage of the storage tank. Usable storage capacity less than or equal to the peak demand shall be considered 100 percent used and useful. A hydropneumatic tank is not considered usable storage.

Usable storage determination shall be as follows:

- (a) An elevated storage tank shall be considered 100 percent usable.
- (b) A ground storage tank shall be considered 90 percent usable if the bottom of the tank is below the centerline of the pumping unit.
- (c) A ground storage tank constructed with a bottom drain shall be considered 100 percent usable, unless there is a documented limiting factor, in which case the limiting factor will be taken into consideration.

WITNESS: Andrew T. Woodcock

ISSUE 16: Should the Commission consider other relevant factors when determining whether an adjustment to plant and operating expenses for excessive unaccounted for water will be included in the used and useful adjustment, as provided by paragraph (10) of the Commission's Proposed Rule?

POSITION: The Commission should be able to consider other relevant factors in determining appropriate used and useful calculations as provided by paragraph (2) of OPC's Proposed Rule.

WITNESS: Andrew T. Woodcock

ISSUE 17: In its used and useful evaluation, should the Commission consider other relevant factors, such as whether flows have decreased due to conservation or a reduction in the number of customers, as provided by paragraph (11) of the Commission's Proposed Rule?

POSITION: The Commission should be able to consider other relevant factors in determining appropriate used and useful calculations as provided by paragraph (2) of OPC's Proposed Rule.

WITNESS: Andrew T. Woodcock

ISSUE 18: How should the used and usefulness of high service pumping be determined?

POSITION: Paragraph (8) of OPC Proposed Rule:

The used and usefulness of high service pumping is determined by dividing the peak demand for high service pumping as defined in this rule by the firm reliable capacity of high service pumps.

WITNESS: Andrew T. Woodcock

ISSUE 19: How should the firm reliable capacity of high service pumping be determined?

POSITION: Paragraph (9) of OPC Proposed Rule:

The firm reliable capacity of high service pumping is equivalent to the pumping capacity of the high service pumps, excluding the largest high service pump for those systems with more than one high service pump.

WITNESS: Andrew T. Woodcock

ISSUE 20: What burden of proof must be borne by each party to this rule promulgation proceeding?

POSITION: Each party who offers alternative language to the Commission's rule as initially proposed has the burden of going forward with evidence to support the party's alternative language. To the extent the Commission determines that the party offering the alternative language has established a valid basis for supporting the alternative language, the other parties that support the initial language or other alternative language will then have the burden of going forward with evidence to support their positions. Ultimately, the Commission should adopt rule language which is supported by a preponderance of the evidence, which on the whole, is the stronger evidence, however slight the edge may be.

WITNESS: No witness. Position will be supported by legal argument in OPC brief.

E. STIPULATED ISSUES:

None.

F. PENDING MOTIONS:

None.

G. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

Citizens have no pending requests or claims for confidentiality.

H. OBJECTIONS TO QUALIFICATIONS OF WITNESSES AS AN EXPERT:

Citizens have no objections at this time.

I. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the

Citizens cannot comply at this time.

Dated this 17th day of December, 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen C. Reilly", is written over a horizontal line. The signature is enclosed in a large, hand-drawn oval.

Stephen C. Reilly
Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 488-9330

CERTIFICATE OF SERVICE
DOCKET NO. 070183-WS

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Citizens' Prehearing has been furnished by electronic mail and U.S. Mail to the following parties on this 17th day of December, 2007, to the following:

Ralph Jaeger, Esquire
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Martin S. Friedman, Esquire
Rose Sundstorm & Bentley, LLP
2180 W. State Road 434, Suite 2118
Longwood, FL 32779

Kenneth A. Hoffman, Esquire
Marsha E. Rule, Esquire
Rutledge, Ecenia, Purnell
& Hoffman, P.A.
P.O. Box 551
Tallahassee, FL 32302



Stephen C. Reilly
Associate Public Counsel