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JUNE 25, 1996

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FPSC-RECORDS/REPORTING

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (EDMONDS)
RE: DOCKET NO. 951056-WS - APPLICATION FOR RATE INCREASE IN
FLAGLER COUNTY BY PALM COAST UTILITY CORPORATION.

0825-PTC

Attached is a PREHEARING ORDER to be issued in the above-referenced docket. (Number of pages in Order - 43)

SKE/mw

Attachment

cc: Division of Water and Wastewater (Willis, Crouch, Merchant, Moniz, Rendell, Starling, Washington)

I: 951056PR.SKE

MUST GO TODAY

Mailed
2-11-96
Doc. # 06864-96

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate) DOCKET NO. 951056-WS
increase in Flagler County by) ORDER NO. PSC-96-0825-PHO-WS
Palm Coast Utility Corporation.) ISSUED: June 26, 1996
_____)

Pursuant to Notice, a Prehearing Conference was held on June 20, 1996, in Tallahassee, Florida, before Commissioner Diane K. Kiesling, as Prehearing Officer.

APPEARANCES:

Wayne L. Schiefelbein, Esquire, Gatlin, Woods & Carlson,
1709-D Mahan Drive, Tallahassee, Florida 32308
On behalf of Palm Coast Utility Corporation.

Richard D. Melson, Esquire, Hopping, Green, Sams & Smith,
123 South Calhoun Street, Tallahassee, Florida 32314
On behalf of Dunes Community Development District.

Albert J. Hadeed, County Attorney, 1200 E. Moody
Boulevard #11, Bunnell, FL 32110
On behalf of Flagler County.

Stephen C. Reilly, Associate 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.

Scott K. Edmonds, Esquire, Bobbie Reyes, Esquire, Florida
Public Service Commission, Gerald L. Gunter Building,
2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-
0850
On behalf of the Commission Staff.

PREHEARING ORDER

I. CASE BACKGROUND

Palm Coast Utility Corporation (Palm Coast) is a utility which provides water and wastewater service to the public in Flagler County. Palm Coast is located in a critical use area as designated by the St. Johns River Water Management District (SJRWMD). During the twelve months ending December 31, 1994 (the historical test year), the utility recorded operating revenues of \$5,007,702 for water service and \$2,951,217 for wastewater service. During the same period, Palm Coast reported a net operating loss of \$2,247 for water, and net operating income of \$281,533 for wastewater.

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On December 27, 1995, the utility filed an application for increased rates pursuant to Sections 367.081 and 367.082, Florida Statutes. The utility satisfied the minimum filing requirements (MFRs) on February 12, 1996, for a rate increase, and that date was designated as the official filing date pursuant to Section 367.083, Florida Statutes.

The utility's requested test year for interim purposes is the historical period ending December 31, 1994. Its requested test period for final rates is the projected year ending December 31, 1995. For interim, the utility requested total revenues of \$5,515,503 and \$3,432,636 for water and wastewater, respectively. This represents revenue increases of \$457,694 (8.30%) for water and \$442,999 (12.9%) for wastewater, designed to produce a rate of return of 7.70%.

By Order No. PSC-96-0493-FOF-WS, issued April 9, 1996, the Commission approved interim rates for PCUC based upon a historic test year, designed to generate \$5,491,319 in annual water revenues and \$3,432,636 in annual wastewater revenues, subject to refund with interest. This represents a \$483,617 (9.66%) increase over water test year revenues, and a \$481,419 (16.31%) increase over wastewater test year revenues.

For final rates, the utility has requested total revenue of \$6,971,647 for water and \$4,906,850 for wastewater. These revenues reflect revenue increases of \$1,479,626 (26.94%) for water and \$1,575,817 (47.31%) for wastewater. The utility's final revenues are based on the utility's requested overall rate of return of 8.84%.

The utility contends that the necessity for a rate increase arises from the fact that as adjusted for the test year ending December 31, 1995, it will have a rate of return of only 2.64% on a rate base of \$21,328,433 for its water operations and a rate of return of only 3.54% on a rate base of \$16,031,209 for its wastewater operations.

The utility has not requested that this case be processed pursuant to the proposed agency action procedure as provided in Section 367.081(8), Florida Statutes. The case has been set for hearing in Flagler County on July 1 and 2, 1996.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as

confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 367.156, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 367.156, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 367.156, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any

appropriate protective agreement with the owner of the material.

- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting's confidential files.

III. POST-HEARING PROCEDURES

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

IV. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity

to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

V. ORDER OF WITNESSES

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Frank Seidman	PCUC	2, 4-9, 11, 13-18, 33-34, 36-39, 42- 52, 55-60, 61-62, 68-69, 72
John F. Guastella	PCUC	1, 11-13, 16, 19- 24, 25-32, 42-43, 66-67
Gary L. Moyer*	Dunes	67, 68
Arsenio Milian	Dunes	67, 68
Ted L. Bidy	OPC	11-12, 14-24, 25- 30, 32
Kimberly H. Dismukes	OPC	2, 6-9, 11, 13, 16, 31, 33-34, 37-39, 42-43, 47, 48-52, 55, 57-58, 60, 62, 67
Karen Amaya	Staff	11-12, 17-30, 32
Robert F. Dodrill	Staff	6-9, 33

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Guy W. Sapp	Staff	7-8
Harold A. Wilkening, III*	Staff	66
Blanca R. Rodriguez	Staff	1
Jeff Martin	Staff	1
<u>Rebuttal</u>		
Charles D. Spano, Jr.	PCUC	3-8
Frank Seidman	PCUC	2, 4-9, 14-18, 33- 34, 36-37, 39, 42- 47, 49-52, 55-58, 60, 62
John F. Guastella	PCUC	11-13, 16, 19, 20- 32, 43-44, 66-67

*This witness will be available July 2, 1996 only.

VI. BASIC POSITIONS

PCUC: Based on the MFRs, annual operating revenues should be increased by \$1,479,626 for water and \$1,575,817 for wastewater. This reflects a rate of return of 8.84% on a rate base of \$21,328,433 for water operations and a rate base of \$16,031,209 for wastewater operations. Palm Coast Utility has also requested a new class of service to provide effluent reuse for spray irrigation, at \$.67 per 1000 gallons.

Certain adjustments that reduce the requested revenue requirements are accepted by Palm Coast Utility as indicated hereinbelow in Palm Coast Utility's positions. Nonetheless, the Commission should be aware that the vast preponderance of adjustments advocated by Public Counsel and the Staff Auditor repudiate policies consistently followed by the Commission throughout its 16 years of regulation of Palm Coast Utility.

DUNES: Dunes is a customer of Palm Coast Utility Corporation's (PCUC's) bulk water service and is a party to an agreement under which it takes unfiltered effluent from

PCUC. With respect to water rates, the final rates and rate structure approved by the Commission should equitably treat all water purchasers. With respect to effluent service, the Commission should deny PCUC's proposal to create a new class of effluent service and to begin imposing a charge for unfiltered effluent. Dunes' agreement to take unfiltered effluent provides a benefit to PCUC by enabling it to avoid the costs of additional effluent disposal capacity and/or additional wastewater treatment facilities which would be incurred absent the agreement. Under the Effluent Agreement between Dunes and PCUC, Dunes incurs the total cost of transporting the unfiltered effluent to Dunes' wastewater treatment plant site and performing the filtration and additional chlorination required to make the effluent suitable for application to public access areas. PCUC incurs no incremental cost for delivering unfiltered effluent to Dunes. In this situation, the imposition of an effluent charge on Dunes would be contrary to the public interest.

OPC:

The Utility has understated its revenue by failing to include all revenue from Hammock Dunes, revenue earned by its subsidiary, and revenue received from other water and wastewater systems for which the Utility provides service. The Utility's expenses are overstated due to transactions with its affiliates, inclusion of inappropriate and non-recurring expenses, and failure to properly account for non-used and useful operations and maintenance expenses. The Utility's cost of capital is overstated because the Utility did not include cost-free CIAC in the capital structure and the appropriate amount of cost-free investment tax credits. The Utility's rate base is overstated due to the inclusion of substantial amounts of plant that is non-used and useful. Instead of a rate increase proposed by the Utility, the rates should be reduced by at least \$3.0 million.

STAFF:

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. 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. Staff's final positions will be based upon all of the evidence in the record and may differ from the preliminary positions.

VII. ISSUES AND POSITIONS

QUALITY OF SERVICE

ISSUE 1: Is the quality of service satisfactory?

PCUC: Yes, the quality of service is satisfactory. PCUC is providing safe and adequate service. (Guastella)

DUNES: No position.

FLAGLER: No position pending receipt of customer testimony.

OPC: No position pending receipt of customer testimony.

STAFF: No position pending receipt of customer testimony. (Martin, Rodriguez)

APPROPRIATE TEST YEAR

ISSUE 2: Should a year-end or 13-month average rate base and capital structure be recognized for ratemaking purposes?

PCUC: Year-end. (Seidman)

DUNES: No position.

FLAGLER: Thirteen-month average.

OPC: A 13-month average rate base should be used for the water operations. OPC does not object to the use of a year end rate base for the wastewater operations. (Dismukes)

STAFF: A 13-month average should be used for both rate base and cost of capital.

RATE BASE

ISSUE 3: Were the appraisals for the 1986 purchase of the sprayfield site and the 1991 purchase of the rapid infiltration basis (RIB) site prepared by an independent, qualified appraiser?

PCUC: Yes. (Spano)

DUNES: No position.

FLAGLER: No position at this time pending further development of the record.

OPC: No position at this time pending further development of the record.

STAFF: Yes.

ISSUE 4: When was the sprayfield site first dedicated to utility service, and by whom?

PCUC: 1979, by PCUC. (Seidman, Spano)

DUNES: No position.

FLAGLER: No position.

OPC: No position at this time pending further development of the record.

STAFF: 1979, by PCUC.

ISSUE 5: When was the RIB site first dedicated to utility service, and by whom?

PCUC: 1991, by PCUC. (Seidman, Spano)

DUNES: No position.

FLAGLER: No position.

OPC: No position at this time pending further development of the record.

STAFF: 1991, by PCUC.

ISSUE 6: How should the sprayfield and RIB sites be valued?

PCUC: At fair market value as of the date they were first dedicated to utility service. (Spano, Seidman)

DUNES: No position.

FLAGLER: Using the trended historical costs.

OPC: Using the trended historical costs. (Dismukes)

STAFF: Using the trended historical costs. (Dodrill)

ISSUE 7: Should an adjustment be made to the cost of the rapid infiltration basin land and buffer sites purchased by the Company from its affiliate?

PCUC: No. The cost recorded is the original cost, as determined by an independent certified appraiser, to the person first dedicating the land to utility service. (Seidman, Spano)

DUNES: No position.

FLAGLER: Yes, reduction of \$404,770. (Dismukes, Dodrill, & Sapp)

OPC: Yes. Land should be reduced by \$404,770. (Dismukes)

STAFF: Yes, the wastewater land should be reduced by \$404,770. (Audit Exception No. 1) (Dodrill, Sapp)

ISSUE 8: Should an adjustment be made to the cost of the sprayfield land site purchased by the Company from its affiliates?

PCUC: No. The cost recorded is the original cost, as determined by an independent certified appraiser, to the person first dedicating the land to utility service. (Seidman, Spano)

DUNES: No position.

FLAGLER: Yes, land should be reduced by \$268,509. (Dismukes, Dodrill & Sapp)

OPC: Yes. Land should be reduced by \$268,509. (Dismukes)

STAFF: Yes, the wastewater land should be reduced by \$268,509. (Audit Disclosure No. 1) (Dodrill, Sapp)

ISSUE 9: Should plant in service be reduced for the misclassification of major rehabilitation projects? (Audit Exception No. 3)

PCUC: No. The projects are properly classified. See PCUC Response to Audit Exception No. 3. (Seidman)

DUNES: No position.

FLAGLER: Yes, adopting OPC and staff's positions.

OPC: Yes. Water plant in service should be reduced by \$548,416 and wastewater plant in service should be reduced by \$504,537. (Dismukes)

STAFF: Yes, plant in service should be reduced by \$548,416 and \$504,537 for water and wastewater, respectively. (Audit Exception No. 3) (Dodrill)

ISSUE 10: Dropped.

ISSUE 11: Should a margin reserve be included in the calculations of used and useful?

PCUC: Yes, as per PSC policy. (Guastella, Seidman)

DUNES: No position.

FLAGLER: No, adopting OPC's position.

OPC: No. Margin reserve is for the benefit of future customers and should not be paid for by current customers. (Bidby, Dismukes)

STAFF: Yes. Consistent with Commission policy a margin reserve should be included in the used and useful calculation. (Amaya)

ISSUE 12: If margin reserve is included in the calculation of used and useful, what is the appropriate margin reserve period?

PCUC: As per Used and Useful Analysis. (Guastella)

DUNES: No position.

FLAGLER: Adopt OPC's position.

OPC: If the Commission allows a margin reserve, the 3 years and 5 years for water and wastewater treatment facilities, respectively, proposed by PCUC, is not appropriate. The Staff has historically recommended a 1 1/2 year margin reserve for water and wastewater facilities and a 1 year margin reserve for water and wastewater lines. If the Commission grants PCUC a margin reserve, the reserve periods should not exceed the periods historically recommended by Staff. (Bidly)

STAFF: An 18 month margin reserve period is appropriate for the following plant: water treatment plant, water source of supply, and high service pumping. A three year margin reserve is appropriate for the wastewater treatment plant and effluent disposal facilities. A twelve month margin reserve is appropriate for the water transmission and distribution and wastewater collection and pumping system. (Amaya)

ISSUE 13: If a margin reserve is approved, should CIAC be imputed on the ERCs included in the margin reserve?

PCUC: No. (Guastella, Seidman)

DUNES: No position.

FLAGLER: Yes, per OPC and staff's positions.

OPC: Yes. (Dismukes)

STAFF: Yes. Current Commission practice requires imputation of CIAC on the margin reserve. The amounts are subject to the resolution of other issues.

ISSUE 14: What is an acceptable level of unaccounted for water?

PCUC: Without further explanation, 12.5% is an acceptable level of unaccounted for water. (Seidman)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: To achieve appropriate levels of unaccounted for water, the Commission should allow no more than 10% of unaccounted for water. (Bidby)

STAFF: A reasonable level of unaccounted for water is 12.5%.

ISSUE 15: Does PCUC have excessive unaccounted for water and, if so, what adjustments are appropriate?

PCUC: No. No adjustments are appropriate. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position pending receipt of discovery. (Bidby)

STAFF: No position pending further development of the record.

ISSUE 16: Is there excess flushing at PCUC's water system, and if so, what adjustments are appropriate?

PCUC: No. (Guastella, Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: Yes, due to the design of the system and the large amount of non-used and useful transmission and distribution mains, PCUC is forced to use an excessive amount of water for line flushing to maintain water quality. Flushing requirements can vary greatly depending upon the particular circumstances of the system. A well designed system should have no more than 5% water use for flushing. Use of more than 5% of total finished water for flushing is excessive.

Customers should not be required to pay for the costs associated with excessive flushing which was caused by PCUC's affiliate developer. These costs should be considered part of non-used and useful expenses and recovered from PCUC's affiliate developer ICDC. The Commission should accordingly remove from test year expenses the chemical and purchased power expenses associated with flushing in excess of 5%. (Bidly, Dismukes)

STAFF: 20 to 25% of the water at PCUC is used for flushing. At this time, staff has no position as to whether adjustments to expenses are appropriate.

ISSUE 17: What is an acceptable level of infiltration and inflow?

PCUC: For an existing system, an acceptable level of infiltration is 500 gpd/inch dia./mile of gravity mains and service laterals. If the total unbilled flows do not exceed this amount, then inflow need not be separately addressed. A reasonable allowance for inflow is 10% of treated flows. (Seidman)

DUNES: No position.

FLAGLER: No position at this time.

OPC: The criteria of 200 gallons/day/in pipe diameter/mile of pipe suggested in the *Recommended Standards for Wastewater Facilities* should be used as the acceptable level of infiltration and inflow. (Bidly)

STAFF: For existing systems, an acceptable level for infiltration and inflow is up to 40 gallons per day per capita as presented in witness Amaya's Exhibit KAA-1. (Amaya)

ISSUE 18: Does PCUC have excessive infiltration and/or inflow and, if so, what adjustments are necessary?

PCUC: No. No adjustments are appropriate. (Seidman)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: Any excess inflow and infiltration should be excluded from the treated wastewater. The amount of excess inflow and infiltration is undetermined at this time. Receipt of pending discovery should help quantify any potential adjustments. (Bidby)

STAFF: Staff believes that the wastewater system does have infiltration and inflow associated with the non-used and useful wastewater lines. The utility, however, has properly accounted for infiltration and inflow in its calculation of used and useful for the wastewater treatment plant and collection facilities. At this time, staff has no position as to whether expenses should be adjusted. (Amaya)

ISSUE 19: Should 20% of facility cost be automatically considered 100% used and useful because of economies of scale considerations?

PCUC: Yes. The economic benefits of economies of scale should be recognized and an acceptable method is to limit 80% of plant costs to be subject to a used and useful adjustment. (Guastella)

DUNES: No position.

FLAGLER: No, adopting OPC's position.

OPC: No. All facility cost should be evenly shared by existing and future customers. (Bidby)

STAFF: No. Economies of scale for the water treatment plant should be recognized by allowing 100% used and useful percentage for the structure at water treatment plant number 2. Economies of scale for the wastewater treatment plant should be recognized through inclusion of a three year margin reserve. (Amaya)

ISSUE 20: Is it appropriate to include a fire flow allowance in the calculation of the used and useful percentage for the water transmission and distribution system, supply wells, and water treatment plants?

PCUC: Yes, as per Used and Useful Analysis. (Guastella)

DUNES: No position.

FLAGLER: No, adopting OPC and staff's positions.

OPC: No. Fire flow provision should be included in the used and useful calculation of finished water storage but not for the supply wells, treatment plant and distribution mains. It is PCUC's responsibility to prove the fire flow provision by sufficient fire flow test records or other supporting documents. (Bidly)

STAFF: Inclusion of a provision for fire flow is appropriate for the water treatment plant. Inclusion of a fire flow allowance in the water transmission and distribution used and useful calculation is inappropriate. (Amaya)

ISSUE 21: Is the utility's method of calculating the maximum day flow appropriate for calculating used and useful percentages for water facilities?

PCUC: Yes. The maximum day utilized by PCUC contains no unusual usage. (Guastella)

DUNES: No position.

FLAGLER: No, adopting OPC's position.

OPC: No, a single maximum day flow should not be used in the used and useful calculations in this filing. The Commission should establish maximum day flows by utilizing the average of the 5 highest days of the maximum month. (Bidly)

STAFF: Yes. (Amaya)

ISSUE 22: Should the Commission use operating permit capacities instead of construction permit capacities for the used and useful calculations?

PCUC: The Commission should use the capacity actually constructed. (Guastella)

DUNES: No position.

FLAGLER: No, adopting OPC and staff's position.

OPC: No, the construction permit capacities should be used because they represent the actual capacities constructed. (Bidly)

STAFF: The actual capacity which was constructed should be used. (Amaya)

ISSUE 23: What is the appropriate allowance for equalization and emergency storage in the used and useful calculation?

PCUC: 50% of maximum day flows. (Guastella)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: Half (50%) of the average daily flow (ADF) is adequate for equalization and emergency storage. (Bidly)

STAFF: Three-quarters of the maximum day demand is adequate for equalization and emergency storage. (Amaya)

ISSUE 24: Should 10% of the finished water storage be treated as retention storage?

PCUC: Yes. Storage tanks, ground and elevated, should not have to be drained dry in order to have their full cost recognized in rate base. (Guastella)

DUNES: No position.

FLAGLER: No, adopting OPC's position.

OPC: No, it is not justified to assume 10% of the storage capacity is dead storage for every single storage tank. Retention storage should be allowed only if it is confirmed in as-built drawings. (Bidly)

STAFF: Yes. An allowance for retention of elevated storage, however, is not appropriate. (Amaya)

ISSUE 25: What are the appropriate methods for calculating the water source of supply, treatment plant, high service pumping, and storage used and useful percentages?

PCUC: As per Used and Useful Analysis. (Guastella)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: See Witness Mr. Bidy's Exhibit TLB-1 for the appropriate methods. (Bidy)

STAFF: The appropriate methodologies are as presented in witness Amaya's Exhibit KAA-2. (Amaya)

ISSUE 26: What is the appropriate method for calculating the wastewater treatment plant and effluent disposal used and useful percentages?

PCUC: As per Used and Useful Analysis. (Guastella)

DUNES: No position at this time.

FLAGLER: Adopting OPC's position.

OPC: See Witness Mr. Bidy's Exhibit TLB-1 for the appropriate method. (Bidy)

STAFF: The appropriate methodology is as presented in witness Amaya's Exhibit KAA-2. (Amaya)

ISSUE 27: What is the appropriate method for calculating the water transmission and distribution system used and useful percentage?

PCUC: The calculation of the used and useful percentage for transmission and distribution mains should be based on an analysis of component parts including the recognition of equivalent flows of customers expressed in ERCs. (Guastella)

DUNES: No position.

FLAGLER: Adopting OPC and staff's positions.

OPC: The lot count method is appropriate and should be used for this proceeding. (Bidy)

STAFF: The lot count method is appropriate. (Amaya)

ISSUE 28: What is the appropriate method for calculating the wastewater collection system and pumping plant used and useful percentage?

PCUC: The calculation of the used and useful percentage for the collection system and pumping plant should be based on an analysis of their component parts including the recognition of equivalent flows of customers expressed in ERCs. (Guastella)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: The lot count method is appropriate and should be used for this proceeding. (Bidly)

STAFF: The appropriate method for the PEP system, gravity lines, and services is the lot count method. The appropriate method for the pumping plant and force mains is provided in witness Amaya's Exhibits KAA-2 and KAA-3. (Amaya)

ISSUE 29: Should facility lands be considered 100% used and useful without detailed justification?

PCUC: Yes. (Guastella)

DUNES: No position.

FLAGLER: No, adopting OPC's position.

OPC: No. Calculations should be performed to justify the 100% used and useful allocation for facility lands, hydro tanks, and auxiliary power. Without the information necessary to make those calculations, the Commission should assign to facility lands, hydro tanks, and auxiliary power the same percentages of used and useful given to related utility facilities. (Bidly)

STAFF: Yes. (Amaya)

ISSUE 30: Should a facility be considered 100% used and useful again, if it was determined to be 100% used and useful in a previous proceeding?

PCUC: Yes. Once the Commission has determined that a facility is 100% used and useful in serving the public, the recovery of the cost of that facility through rates should not be rescinded, regardless of whether additional capacity is installed. (Guastella)

DUNES: No position.

FLAGLER: No, adopting OPC's position.

OPC: No. Evaluations of the facility capacity changes and customer demands are necessary before determining the used and useful percentages. (Bidly)

STAFF: Yes. However, if additional capacity has been installed since the determination that the facility was 100% used and useful, a used and useful adjustment may be appropriate. (Amaya)

ISSUE 31: **Should non-used and useful adjustments be made to general plant?**

PCUC: No. General plant is 100% used and useful. (Guastella)

DUNES: No position.

FLAGLER: Yes, adopting OPC's position.

OPC: Yes. Consistent with the treatment by the Commission and the Company in the two previous rate cases, general plant should be reduced consistent with the adjustments to administrative and general expense. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 32: **What are the appropriate used and useful percentages?**

PCUC: As per MFRs and Used and Useful Analysis. (Guastella)

DUNES: No position at this time.

FLAGLER: Adopting OPC's position.

OPC: The appropriate used and useful percentages for the water and wastewater facilities are presented in Exhibit TLB-2 and Exhibit TLB-3, respectively. (Bidly)

STAFF: The appropriate used and useful percentages for the water and wastewater facilities are presented in witness Amaya's Exhibit KAA-2. (Amaya)

ISSUE 33: Should an adjustment be made to depreciation expense and accumulated depreciation for the reclassification of the cost of rapid infiltration basin to the appropriate accounts?

PCUC: No. The costs of the RIB are not misclassified. (Seidman)

DUNES: No position.

FLAGLER: Yes, adopting OPC and staff's positions.

OPC: Yes. Accumulated depreciation should be reduced by \$34,270 and depreciation expense should be reduced by \$34,270. (Dismukes)

STAFF: Yes. Accumulated depreciation should be reduced by \$34,270 and depreciation expense should be reduced by \$34,270. (Dodrill)

ISSUE 34: Should non-used CIAC be included as a reduction to rate base?

The parties have proposed a stipulation that non-used plant, non-used accumulated depreciation, non-used CIAC or non-used accumulated amortization of CIAC should not be included in rate base.

ISSUE 35: Dropped.

ISSUE 36: What is the proper amount of CIAC to use as a deduction from rate base?

PCUC: As per MFRs, all of the CIAC associated with existing customers should be used as a deduction in determining rate base. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position at this time. The Citizens still have outstanding discovery on this issue.

STAFF: No position pending further development of the record.

ISSUE 37: Should net debit deferred income taxes be included in rate base and if so should any adjustments be made to the amount proposed by the Company?

PCUC: Yes. No adjustments to the amounts in the MFRs are appropriate. (Seidman)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: At a minimum, net debit deferred taxes should be reduced by \$378,629, for an extraordinary property loss deferred tax which should not be recovered from ratepayers. Other adjustments may also be appropriate, but the Citizens still have discovery outstanding on this subject.

STAFF: No position pending further development of the record.

ISSUE 38: Should any adjustments be made to plant in service related to percolation ponds that were taken out of service or general plant due to the Company providing operation and maintenance services to non-PCUC water and wastewater systems?

PCUC: No. (Seidman, Guastella)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position pending receipt of discovery and further development of the record concerning the percolation ponds. With respect to general plant, the Commission should allocate a portion of the general plant to the cost of operating and maintaining these non-PCUC water and wastewater systems, if the Commission does not adopt the recommendation of witness Dismukes to move this related income above the line of ratemaking purposes. (Dismukes)

STAFF: No position at this time.

ISSUE 39: What provision for working capital should be included in rate base?

PCUC: A zero working capital allowance should be approved.
(Seidman)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: Negative working capital for the water operations of \$799,493 and for the wastewater operations of \$558,004 should be included in rate base as on off set to the net debit deferred taxes included in rate base.
(Dismukes)

STAFF: The working capital provision should be zero.

ISSUE 40: What are the appropriate rate base amounts?

PCUC: Fall-out issue.

DUNES: No position.

FLAGLER: Fall-out issue.

OPC: Fall-out issue.

STAFF: The final amounts are subject to the resolution of other issues.

COST OF CAPITAL

ISSUE 41: Dropped.

ISSUE 42: Should CIAC be included as a component of the cost of capital?

PCUC: No. CIAC should not be included in capital structure. There is no precedent for Public Counsel's proposal, which is contrary to long-standing ratemaking principles. (Seidman, Guastella)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: Yes, if the funds are used to finance used and useful assets. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 43: Should prepaid CIAC be included in the utility's capital structure?

PCUC: No. CIAC should not be included in capital structure. There is no precedent for Public Counsel's proposal, which is contrary to long-standing ratemaking principles. In addition, prepaid CIAC is non-used. It has been recognized as non-used by the Commission. Neither prepaid CIAC, nor any other non-used component, should be included as a component of rate base or the cost of capital for rate base. (Seidman, Guastella)

DUNES: No position.

FLAGLER: Yes, adopting OPC's position.

OPC: Yes. Cost-free CIAC in the amount of \$11,028,664 should be included in the Company's capital structure. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 44: What is the appropriate cost of debt?

PCUC: As per MFRs, the appropriate cost of long-term debt is 7.24% and the appropriate cost of short-term debt is 7.73%. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position pending further development of the record.

STAFF: No position pending further development of the record.

ISSUE 45: What are the appropriate adjustments to investment tax credits (ITCs) and their cost rate, if any, and what is the resulting balance?

The parties have proposed a stipulation that Cost-Free Investment Tax Credits should be increased by \$125,569, resulting in a year-end balance of \$2,391,641 before reconciliation to rate base.

ISSUE 46: What is the appropriate capital structure for ratemaking purposes?

PCUC: Palm Coast Utility Corporation's stand-alone capital structure is appropriate. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position pending further development of the record.

STAFF: No position pending further development of the record.

ISSUE 47: 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?

PCUC: As per Schedule D-1, as modified to include the effect of imputing ITCs [Issue 45] and giving full weight to customer deposits. (Seidman)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: When reconciling the capital structure to rate base, customer deposits should not be reconciled. (Dismukes)

STAFF: The determination of the weighted average cost of capital is dependent upon the resolution of other cost of capital issues.

NET OPERATING INCOME

ISSUE 48: What are the appropriate projected number of water and wastewater bills and consumption to be used to calculate revenue for the projected test year and to calculate rates for water and wastewater service?

PCUC: The year end number of bills and consumption should be used for both water and wastewater. (Seidman)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: The year-end number of bills should be used for wastewater and the average number of bills should be used for water. No position at this time concerning the consumption data to be used, pending the receipt of outstanding discovery. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 49: Should an adjustment be made to the amount of miscellaneous revenue to be included in the 1995 projected test year?

PCUC: No. When using a projected test year, it is inappropriate to pick one line item and update it to the actual amount. (Seidman)

DUNES: No position.

FLAGLER: Yes, adopting OPC's position.

OPC: Yes. Water revenue should be increased by \$5,174 and wastewater revenue should be increased by \$5,197 to reflect actual 1995 miscellaneous revenue. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 50: Should an adjustment be made to the amount of 1995 water revenue received from Hammock Dunes?

PCUC: No. The 1995 water revenue from Dunes has already been normalized in the MFR to reflect its ongoing consumption pattern. (Seidman)

DUNES: No position at this time.

FLAGLER: Yes, adopting OPC's position.

OPC: Yes. Water revenue should be increased by \$33,023. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 51: Should adjustments be made for non-utility income and revenue recorded on the Company's books?

PCUC: No. Nonutility income should not be moved above the line for ratemaking purposes. It is not income associated with serving the utility's customers and the customers do not incur any cost related to that income. (Seidman)

DUNES: No position.

FLAGLER: Yes, adopting OPC's position.

OPC: Yes. Non-utility income should be moved above the line for ratemaking purposes as it applies to water and wastewater service provided by the Company to Plantation Bay, Searay, Mantanzas Shores, and Other. Water revenue should be increased by \$2,407 and wastewater revenue should be increased by \$54,857. Revenue from Aqua Tech, a subsidiary of the Company, should also be moved above the line for ratemaking purposes. The amount that should be moved above the line is \$50,365. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 52: Should non-used and useful adjustments to O&M expenses be made?

PCUC: No. All appropriate adjustments are already reflected in the MFR. (Seidman)

DUNES: No position.

FLAGLER: Yes. (Dismukes)

OPC: Yes. (Dismukes)

STAFF: No position pending the receipt of outstanding discovery.

ISSUE 53: Dropped.

ISSUE 54: Dropped.

ISSUE 55: Should an adjustment be made for affiliate charges?

PCUC: No. All services provided through affiliates, with the exception of the \$21,201 contract service charge, are cost-based medical, pension and insurance services and payroll and computer processing costs. The contract service charge is reasonable for the services provided. These services were provided by affiliates in previous rate proceedings and accepted by the Commission in those cases. (Seidman)

DUNES: No position.

FLAGLER: Yes, adopting OPC's position.

OPC: Yes. The Commission should disallow all charges from affiliates in the amount of \$1,003,160 for the Company's failure to properly respond to the Citizens discovery concerning affiliate transactions. In the alternative, the Commission should disallow \$31,765 (before used and useful adjustments) of affiliate charges as depicted on Dismukes Schedule 13, for the Company's failure to justify these charges. The

Citizens still have outstanding discovery on this issue and may revise their position accordingly. (Dismukes)

STAFF: No position pending receipt of outstanding discovery.

ISSUE 56: Should any adjustments be made to true-up the 6-months of budgeted test year expenses to actual?

PCUC: No. All line items in this filing are six month actual and six month projected for 1995. It would not be proper to true up just one group of costs - expenses. Although actual data can be useful in assessing the viability of the projections, truing up would involve restating the whole application with unaudited information. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position at this time. The Citizens still have discovery outstanding on this issue.

STAFF: No position pending further development of the record.

ISSUE 57: Should an adjustment be made to personnel services expenses?

PCUC: No. An adjustment of \$7,220 for nonrecurring costs may be appropriate. (Seidman)

DUNES: No position.

FLAGLER: Yes, adopting OPC's position.

OPC: Yes. Personnel services expenses should be reduced by \$17,113 before application of used and useful percentages. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 58: Should the miscellaneous expense adjustment for non-recurring legal fees reflected on Dismukes Schedule 16 be made?

PCUC: No. The legal expenses are reasonable and recurring in their total amount. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: Legal expenses should be reduced by \$9,342, before application of used and useful percentages. The Citizens still have outstanding discovery on this issue and additional adjustments may be necessary. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 59: Should any adjustments be made to administrative and general expenses due to the Company providing operation and maintenance services to non-PCUC water and wastewater systems, test year expenses to reflect actual expenses, test year expenses to remove expenses incurred that were associated with the divestiture of PCUC, or test year legal expenses?

PCUC: No. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position at this time. The Citizens still have outstanding discovery on this issue.

STAFF: No position pending further development of the record.

ISSUE 60: What is the appropriate amount of rate case expense?

PCUC: As per MFRs and as updated closer to hearing. (Seidman)

DUNES: No position.

FLAGLER: No position pending further development of the record.

OPC: No position pending further development of the record. However, only prudently incurred rate case expense should be allowed. (Dismukes)

STAFF: No position pending further development of the record. However, only prudently incurred rate case expense should be allowed.

ISSUE 60A: Dropped.

ISSUE 60B: Dropped.

ISSUE 61: Are adjustments necessary to property taxes for non-used and useful plant adjustments?

PCUC: No, all appropriate adjustments for used and useful are included in the MFRs. (Seidman)

DUNES: No position.

FLAGLER: Yes, adopting staff's position.

OPC: The amounts are subject to the resolution of other issues.

STAFF: Amounts are subject to final resolution of used and useful percentages of plant adjustments.

ISSUE 62: What are the appropriate adjustments to the provision for income taxes, including the appropriate federal tax rate, the parent debt adjustment, the interest reconciliation adjustment, the ITC interest synchronization adjustment and adjustments for other NOI adjustments?

PCUC: As per MFRs. (Seidman)

DUNES: No position.

FLAGLER: Adopting OPC's position.

OPC: The appropriate federal income tax rate is 34%. (Dismukes)

STAFF: The amounts are dependent upon further development of the record and the resolution of other issues.

ISSUE 63: Dropped.

ISSUE 64: What are the test year operating income amounts before any revenue increase?

PCUC: Fall-out issue.

DUNES: No position.

FLAGLER: Fall-out issue.

OPC: Fall-out issue.

STAFF: The final amounts are subject to the resolution of other issues.

REVENUE REQUIREMENT

ISSUE 65: What are the revenue requirements?

PCUC: Fall-out issue.

DUNES: No position.

FLAGLER: The final amounts are subject to the resolution of other issues.

OPC: The final amount is subject to the resolution of other issues.

STAFF: The final amounts are subject to the resolution of other issues.

RATES AND RATE STRUCTURE

ISSUE 66: In light of Section 367.0817, Florida Statutes, should any revenue requirement associated with reuse be allocated to the water customers of PCUC?

PCUC: No. (Guastella)

DUNES: No position at this time.

FLAGLER: No position at this time.

OPC: No position.

STAFF: No, not at this time. Based on the record to date, it appears that the Dunes is the only reuse customer and it receives unfiltered effluent, which must be treated to a higher standard before its use as irrigation. While there is a benefit to the water users since the reuse used for irrigation by the Dunes's customers displaces water that would be withdrawn from Palm Coast wells, staff believes it is premature to allocate any revenue requirement associated with reuse to the water customers. At the time that Palm Coast implements its reuse plan, this issue should be revisited.

ISSUE 67: Should a new class of effluent service be approved and, if so, what are the appropriate rates, if any, for effluent service?

PCUC: Yes, as per MFRs. (Guastella)

DUNES: No, the Commission should not establish a new class of effluent service for PCUC, since the unfiltered effluent provided by PCUC is not suitable for land application in public use areas without further treatment. If a new class of service is approved, the rate charged to Dunes should be set at zero, since Dunes already incurs all of the incremental cost of transporting, treating, and disposing of the unfiltered effluent received from PCUC. (Moyer, Milian)

FLAGLER: No position pending further development of the record.

OPC: Yes, if the Commission determines that it is appropriate to charge for the effluent sent to Hammock Dunes. The minimum adjustment is \$195,640. However, the Citizens still have discovery outstanding on this issue and may revise this figure. The Citizens take no position on whether or not the Commission should establish a reuse rate for Hammock Dunes. (Dismukes)

STAFF: No position pending further development of the record.

ISSUE 68: What is the appropriate bulk water rate for PCUC?

PCUC: The appropriate bulk water rate for DCDD is as per MFRs. (Seidman)

DUNES: All water customers of the utility should be treated equitably. Therefore, all water rates, including the bulk water rate, should be increased by the same percentage amount. (Moyer, Milian)

FLAGLER: No position pending further development of the record.

OPC: No position at this time.

STAFF: No position pending further development of the record.

ISSUE 69: **What are the appropriate water and wastewater service rates for PCUC?**

PCUC: As per MFRs. (Seidman)

DUNES: No position.

FLAGLER: The final amounts are subject to the resolution of other issues.

OPC: No position.

STAFF: The final amounts are subject to the resolution of other issues.

ISSUE 70: **What are the appropriate amounts by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?**

PCUC: Fall-out issue.

DUNES: No position.

FLAGLER: No position at this time.

OPC: The amounts are subject to the resolution of other issues.

STAFF: The final amounts are subject to the resolution of other issues.

ISSUE 71: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund?

PCUC: Fall-out issue.

DUNES: No position.

FLAGLER: No position at this time.

OPC: No position.

STAFF: The final amounts are subject to the resolution of other issues.

OTHER OR MISCELLANEOUS ISSUES

ISSUE 72: What are the appropriate annual and monthly discounted rates, and the effective date for AFUDC?

PCUC: The appropriate annual rate is the rate of return determined in this proceeding. The monthly discounted rate should be that determined in accordance with Rule 25-30.116(3)(a), F.A.C. The effective date is the date the Final Order in this case takes effect. (Seidman)

DUNES: No position.

FLAGLER: No position at this time.

OPC: No position at this time.

STAFF: The appropriate AFUDC annual and monthly rates are subject to the resolution of other issues regarding the overall cost of capital.

VIII. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
	Dunes	_____	Preliminary Design Report - January, 1994
	Dunes	_____	Abbreviated Reuse Feasibility Study - January, 1994
	Dunes	_____	Updated Abbreviated Reuse Feasibility Study - May, 1995
	Dunes	_____	DEP Notice of Permit Modification with attached modified construction permit - February 16, 1995
<u>Direct</u>			
Frank Seidman	PCUC	_____ (FS-1)	MFRs, Volume I, Financial Rate & Engineering Schedules, Including Interim Rate Schedules
Frank Seidman	PCUC	_____ (FS-2)	MFRs, Volume II, Billing Analysis Schedule E-14
Frank Seidman	PCUC	_____ (FS-3)	MFRs, Volume III, Additional Information Required by Rules

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Frank Seidman	PCUC	_____ (FS-4)	Analysis of Operating Departments for Used and Useful
Frank Seidman	PCUC	_____ (FS-5)	2 / 1 2 / 9 6 Response to deficiency letter from Charles Hill dated 1/16/96
John F. Guastella	PCUC	_____ (JFG-1)	Used and Useful Analysis, Utility Plant in Service
John F. Guastella	PCUC	_____ (JFG-2)	Effluent Rate Study, Cost Allocation
Gary L. Moyer	Dunes	_____ (GLM-1)	Map of Dunes and PCUC
Gary L. Moyer	Dunes	_____ (GLM-2)	Effluent Agreement dated February 23, 1990
Gary L. Moyer	Dunes	_____ (GLM-3)	Addendum Agreement dated May 13, 1994
Gary L. Moyer	Dunes	_____ (GLM-4)	DCDD - PCUC Effluent Agreement dated September 20, 1995
Arsenio Milian	Dunes	_____ (AM-1)	Professional Resume
Ted L. Biddy	OPC	_____ (TLB-1)	Key & rationale for OPC used and useful calculations

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 8 - P C U C - Miscellaneous R e v e n u e Adjustments
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 9 - PCUC - Other R e v e n u e Adjustments
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 10 - PCUC - O&M Used and Useful Adjustment
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 11 - PCUC - O&M Used and Useful Analysis
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 12 - P C U C - P e r s o n n e l Services
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 13 - P C U C - Adjustment to A f f i l i a t e Charges
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 14 - PCUC - Staff A u d i t Adjustments
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 15 - PCUC - Income Effect of Tax Rate of 34%
Kimberly H. Dismukes	OPC	<u> </u> (KHD-1)	Schedule 16 - PCUC Miscel- laneous Expense Adjustments

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Karen Amaya	Staff	_____ (KAA-1)	EPA Handbook Excerpts
Karen Amaya	Staff	_____ (KAA-2)	Used & Useful Calculations
Karen Amaya	Staff	_____ (KAA-3)	Used & Useful Calculations
Robert F. Dodrill	Staff	_____ (RFD-1)	Staff Audit Report
Robert F. Dodrill	Staff	_____ (RFD-2)	Staff Audit Workpapers Relating to Land
Robert F. Dodrill	Staff	_____ (RFD-3)	Staff Audit Workpapers Relating to Utility Plant in Service
Blanca R. Rodriguez	Staff	_____ (BRR-1)	Sanitary Survey - June 17, 1994

Rebuttal

Charles D. Spano, Jr.	PCUC	_____ (CDS-1)	Summary of Qualifications
Charles D. Spano, Jr.	PCUC	_____ (CDS-2)	1985 Appraisal Report
Charles D. Spano, Jr.	PCUC	_____ (CDS-3)	1990 Appraisal Report
Charles D. Spano, Jr.	PCUC	_____ (CDS-4)	Flagler County Assessment / Sales Price Ratios Non-Residential Transactions

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Frank Seidman	PCUC	_____ (FS-13)	Updated Rate Case Expense (Actual and Projected)

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

IX. PROPOSED STIPULATIONS

At the Prehearing Conference, some proposed stipulations were reached. All of the parties and Staff have agreed that the following stipulations are reasonable and should be accepted by the Commission.

1. The cost of common equity capital should be established using the leverage formula in effect at the time of the Commission decision in this case.
2. The four adjustments in Staff Audit Exception No. 4 should be accepted by the Commission.
3. Rental expenses should be reduced by \$36,981 and chamber of commerce dues should be reduced by \$828 in accordance with the miscellaneous expense adjustments reflected on witness Dismukes' Schedule 16.
4. Non-used plant, non-used accumulated depreciation, non-used CIAC or non-used accumulated amortization of CIAC should not be included in rate base.
5. Cost-Free Investment Tax Credits should be increased by \$125,569, resulting in a year-end balance of \$2,391,641 before reconciliation to rate base.

X. PENDING MATTERS

The Citizens currently have outstanding discovery that has not been responded to by PCUC.

XI. RULINGS

An opening statement of five minutes duration is granted for those parties who wish to do so.

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It is therefore,

ORDERED by Commissioner Diane K. Kiesling, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Diane K. Kiesling, as Prehearing Officer, this 26th day of June, 1996.


DIANE K. KIESLING, Commissioner and
Prehearing Officer

(S E A L)

SKE

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.