

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate increase)	DOCKET NO. 900329-WS
in Citrus, Martin, Marion and)	
Charlotte/Lee County by SOUTHERN)	ORDER NO. 24071
STATES UTILITIES, INC.; in Collier)	
County by MARCO ISLAND UTILITIES)	ISSUED: 2-6-91
(DELTONA); in Marion County by MARION)	
OAKS UTILITIES (UNITED FLORIDA); and)	
in Washington County by SUNNY HILLS)	
UTILITIES (UNITED FLORIDA))	
)	

Pursuant to notice, a prehearing conference was held on January 22, 1991, before Commissioner Gerald L. Gunter, as Prehearing Officer, in Tallahassee, Florida.

APPEARANCES: B. KENNETH GATLIN and WAYNE L. SCHIEFELBEIN,
Esquires, Gatlin, Woods, Carlson & Cowdery
1709-D Mahan Drive
Tallahassee, Florida 32308
On behalf of Southern States Utilities, Inc.,
Deltona Utilities, Inc., and United Florida
Utilities Corporation

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On behalf of the Citizens of the State of Florida

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On behalf of Cypress and Oak Villages Association

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On behalf of the Commission Staff

PRENTICE P. PRUITT, Esquire, Florida Public Service
Commission, 101 East Gaines Street, Tallahassee,
Florida 32399-0863
Counsel to the Commission

DOCUMENT NUMBER: DATE

01148 FEB -6 1991

SO-RECORDS/REPORTS

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 2

PREHEARING ORDER

I. Case Background

On September 28, 1990, Southern States Utilities, Inc., Deltona Utilities, Inc., and United Florida Utilities Corporation (hereinafter collectively referred to as "Utility") completed the minimum filing requirements for a general rate increase and that date was established as the official date of filing. The approved test year for this proceeding is the projected twelve month period ending December 31, 1991.

On July 25, 1990, the Office of Public Counsel (OPC) served notice of its intervention in this proceeding pursuant to the provisions of Section 350.0611, Florida Statutes. OPC's notice of intervention was acknowledged by this Commission by Order No. 24396, issued September 17, 1990. By Order No. 23860, issued December 11, 1990, this Commission suspended the Utility's proposed rates and granted an interim water and wastewater rate increase, subject to refund.

This case is scheduled for an administrative hearing on February 11 through 15, 1991.

II. Prefiled Testimony and Exhibits

All parties and the staff of this Commission (Staff) have prefiled the testimony of all witnesses that they intend to sponsor, with the exception of six members of Staff whom OPC and the Utility have subpoenaed. During the hearing, all prefiled testimony 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.

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 3

III. Order of Witnesses

The following is a list of witnesses that have been identified by the parties and Staff. In the interest of administrative efficiency, when each witness takes the stand, all of his or her testimony, whether direct, rebuttal or supplemental rebuttal, will be taken together.

<u>Witness</u>	<u>Appearing for</u>	<u>Issues Nos.</u>
Bert T. Phillips	Utility	109, 111
Forrest L. Ludsen	Utility	15, 18, 43, 46, 120, 176, 182, 183, 184, 190, 192, 193, 198, 200, 205, 206, 208, 209, 210
Richard P. Ausman	Utility	8, 9, 48, 68, 87, 97, 100, 102, 103, 104, 105, 106, 107, 108, 110, 112, 113, 114, 115, 118, 120, 188, 211
Bruce K. Gangnon	Utility	13, 14, 50, 98, 101, 121, 122
Scott W. Vierima	Utility	97, 98, 105
Rafael A. Terrero	Utility	47, 143
Charles L. Sweat	Utility	1, 6, 49, 135, 136, 144, 145, 151, 152, 174, 175
Gerald C. Hartman	Utility	5, 6, 7, 20, 33, 34, 35, 62, 70, 80, 91, 153, 154, 167, 168, 201, 202, 212
John F. Guastella	Utility	2, 3, 4, 11, 12, 52, 53, 54, 55, 99, 212

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 4

<u>Witness</u>	<u>Appearing for</u>	<u>Issues Nos.</u>
Charles K. Lewis	Utility	14, 21, 37, 56, 63, 71, 76, 77, 79, 81, 82, 83, 84, 85, 92, 124, 166, 169, 170, 171, 172, 182, 184, 186, 190, 194, 195, 196, 197, 199, 203, 204, 206, 210
Frank Seidman	Utility	72, 73, 74, 75, 86, 88, 89, 93, 94, 95, 96, 124, 159, 160, 161, 162, 163, 164, 165, 170, 173, 177, 178, 179, 180, 181, 184, 187, 189, 197, 206, 210
John D. Russell	Utility	44, 45, 57, 58, 59, 60, 124, 139, 140, 141, 142, 146, 147, 148, 149, 184, 197, 206, 210
Robert C. Nixon	Utility	15, 26, 31, 36, 38, 39, 40, 41, 42, 64, 65, 67, 124, 131, 132, 133, 134, 137, 138, 150, 155, 156, 157, 158, 184, 185, 197, 206, 207, 210
John R. Sheahen	Utility	22, 23, 24, 25, 124, 125, 126, 127, 128, 129, 130, 184, 197, 204, 206, 210
F. Marshall Deterding	Utility	116, 117, 118, 119
Charles E. Wood	Utility	9, 10, 16, 17, 26, 27, 28, 29, 30, 45, 47, 77, 86

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 5

The Utility has also subpoenaed the following members of Staff, indicated by asterisk, as witnesses. There is currently a Staff motion to quash and for a protective order which addresses this matter.

<u>Witness</u>	<u>Appearing for</u>	<u>Issues Nos.</u>
*Charles Hill	Utility	
*Marshall W. Willis	Utility	
*Bob Crouch	Utility	
*N. D. Walker	Utility	
*Frank Doud	Utility	
*Jim Todd	Utility	
Harry DeMeza	OPC	1, 2, 5, 6, 7, 20, 33, 34, 35, 52, 53, 54, 55, 62, 70, 79, 80, 91, 135, 136, 144, 145, 151, 153, 167, 168, 197, 212
Ralph C. Smith	OPC	10, 11, 12, 15, 16, 17, 18, 22, 23, 24, 38, 39, 40, 41, 42, 45, 46, 47, 48, 50, 57, 64, 72, 75, 77, 82, 86, 87, 93, 103, 106, 143, 184, 209, 210
Hugh Larkin, Jr.	OPC	3, 11, 18, 22, 23, 24, 102, 106, 107, 108, 109, 110, 111, 113, 114, 119, 120, 121, 143, 164, 184, 186, 188, 209, 210, 211

OPC has also subpoenaed the following members of Staff, indicated by asterisk, as witnesses. There is currently a Staff

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 6

motion to quash and for a protective order which addresses this matter.

<u>Witness</u>	<u>Appearing for</u>	<u>Issues Nos.</u>
*Charles Hill	OPC	103, 116, 117
*Marshall W. Willis	OPC	3, 8, 9, 11, 18, 99, 113, 184
*Bob Crouch	OPC	2, 6, 7, 35, 167, 174, 175, 184
*N. D. Walker	OPC	50, 88, 89, 118, 121, 161, 162, 176, 177
*Frank Doud	OPC	
*Jim Todd	OPC	50, 88, 89
Buddy L. Hansen	COVA	1, 2, 10, 16, 26, 27, 28, 30, 33, 34, 35, 36, 39, 106, 137, 182, 183, 190, 192, 193, 195, 196, 206, 208
Clarence Anderson	Staff	1
Roberto C. Ansag	Staff	1
Robert P. Barker	Staff	1
William E. Darling	Staff	1
Cece Featheringill	Staff	1
Robert D. Glenn	Staff	1
David G. MacColeman	Staff	1
Gregory T. O'Connell	Staff	1
Francisco J. Perez	Staff	1
John H. Pope	Staff	1

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 7

<u>Witness</u>	<u>Appearing for</u>	<u>Issues Nos.</u>
Robert R. Reining, Jr.	Staff	1
William J. Thiel	Staff	1
Wesley B. Upham	Staff	1
William T. Washburn	Staff	1
Gregory L. Shafer	Staff	4

IV. Basic Positions

UTILITY: The Utility's basic position is that the Commission should establish permanent uniform cross county rates to be applied to the various systems that are the subject of this docket consistent with the categories set forth in Section I of its Second Amended Application for Rate Increase and the rate schedules set forth in the Revised Addendum to Volumes I-VII of the MFRs. In the alternative, the Utility requests that permanent county uniform rates be approved. In any event, the Utility requests that permanent rates designed to generate the revenue requirements for the various systems, as identified in said application and the MFRs, be approved.

OPC: The rates sought by the Utility are excessive because, if granted, they would provide an excessive return on investment. The Utility seeks to recover expenses which it did not incur, which it should not have incurred, and which it will not incur in a typical operating period. The Utility overstates the level of investment which is used and useful in the provision of service to the public. Finally, the Utility advocates a rate design which, if approved, would occasion a heavy flow of economic benefit and detriment among the customers of the various systems in the filing. The Utility has incurred and will incur excessive rate case expense by neglecting, on the one hand, the availability of staff assisted rate cases for the many systems which were eligible therefor. On the other hand, the Utility has incurred excessive rate case expense because it insisted the Commission not process its application under the Proposed Agency Action procedure authorized by Chapter 120, Florida Statutes.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 8

COVA:

The Utility's proposals for rate increases, for county-wide or cross-county rates, and for rate structure changes fail to recognize the unique history, situation, and character of the Sugarmill Woods community served by the Utility in Citrus County. Allowing the Utility to implement its proposals would force Sugarmill Woods customers to subsidize other Utility customers in Citrus County if county-wide rates were implemented, or in other counties where the Utility serves if cross-county rates were implemented. The Utility has not shown that either county-wide rates or cross-county rates will result in an improved match between cost-causation and revenues paid, nor has it shown that the benefits, if any, of adopting county-wide or cross-county rates will be fairly apportioned to the customers of its various operating divisions. Considered either individually or in the aggregate, the Utility has not provided the information necessary for the Commission to assure that cross-subsidization does not occur as a result of implementing county-wide or cross-county rates. Accordingly, these proposals should be rejected.

The Utility has attempted to make numerous inappropriate or erroneous calculations in its computations of used and useful percentages of water plant, water transmission and distribution lines, and sewer collection lines. Use of both a projected test year and a "margin reserve" allowance is inappropriate and should not be approved in this case. The Utility has attempted to use an inaccurately low number of potential equivalent residential connections (ERCs) in calculating used and useful percentages, resulting in overstated used and useful percentages; the correct number is 9,054 ERCs. The Utility has incorrectly applied Citrus County Ordinance 86-10, resulting in an overstated used and useful percentage for water plant; the ordinance should be applied correctly in calculating this percentage. The Utility has claimed in rate base a proposed sewer plant that is planned to serve Sugarmill Woods. This plant is not needed at this time and will, in any event, not be in service before 1992: it should therefore not be allowed in rate base in this proceeding. Additionally, the Utility has a poor track record of making actual expenditures in accordance with its budgets, and it is therefore inappropriate to rely on its budgets for setting rates in this case.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 9

Finally, the Utility's proposal to increase the cap on gallonage charges for sewer service provided to its Sugarmill Woods customers from 6,000 gallons per month to 8,000 or 10,000 per month is inappropriate.

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.

V. Issues and Positions

QUALITY OF SERVICE

1. ISSUE: Is the quality of service provided by each of the utility systems satisfactory?

POSITIONS

UTILITY: Yes. (Sweat)

OPC: No position at this time. (DeMeza)

COVA: As to Sugarmill Woods, the Utility's quality of service is generally adequate except that there have been and continue to be water shortages, and the Utility's well construction program is behind schedule and off-budget. (Hansen)

STAFF: No position at this time. (Anderson, Ansag, Barker, Featheringill, Glenn, MacColeman, O'Connell, Perez, Pope, Reining, Thiel, Upham, Washburn) (NOTE - This issue will be broken down by system and/or by county in Staff's final analysis.)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 10

RATE BASE

ALL COUNTIES

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

POSITIONS

UTILITY: Yes. (Guastella)

OPC: No. To furnish capacity for future customers is a task to be borne by the Utility and financed by new customers as they arrive; not the financial responsibility of existing customers. (DeMeza, Crouch)

COVA: It is inappropriate to include a margin reserve in the calculation of rate base where a projected test year is used. Additionally, use of a margin reserve allowance is inappropriate for systems, such as Sugarmill Woods, where the transmission and collection lines are built out. This position concurs with positions stated by Staff witness Shafer. (Hansen)

STAFF: Generally speaking, unless a margin reserve issue is identified for a particular county or system, a margin reserve should be included in the calculations of used and useful plant.

3. ISSUE: Should CIAC be imputed to offset any margin reserve allowance in the rate base calculation?

POSITIONS

UTILITY: No. (Guastella)

OPC: Yes. Although a margin reserve is inappropriate, where it is recognized, a serious mismatch will occur unless an amount of CIAC equivalent to the number of ERCs represented by the margin reserve be reflected as a rate base offset. (Larkin, Willis)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 11

COVA: Yes. Although a margin reserve is inappropriate, where it is recognized, a serious mismatch will occur unless an amount of CIAC equivalent to the number of ERCs represented by the margin reserve be reflected as a rate base offset.

STAFF: Pursuant to Commission policy, margin reserve should be offset by CIAC to be collected by customers in that allowance.

4. ISSUE: What is the appropriate method to determine margin reserve?

POSITIONS

UTILITY: Each system should be weighed on its own merits as indicated in the rebuttal testimony of J. Guastella. (Guastella)

OPC: Agree with Staff solely with regard to the methodology.

COVA: If a margin reserve is to be allowed, COVA agrees that the Staff's proposed regression analysis methodology is appropriate.

STAFF: Regression analysis. (Shafer)

5. ISSUE: Should the capacity to provide fire flow be included in used and useful simply because a system has fire hydrants?

POSITIONS

UTILITY: Yes. (Hartman)

OPC: No. The capacity to provide fire flow should be included only where it is shown that a system is capable of delivering fire flow. (DeMeza)

COVA: No. The capacity to provide fire flow should be included only where it is shown that a system is capable of delivering fire flow.

STAFF: No.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 12

6. ISSUE: Should the calculation of used and useful be adjusted to remove excess unaccounted for water for water systems?

POSITIONS

UTILITY: No. Nor does the utility agree there is excess unaccounted for water. (Hartman, Sweat)

OPC: Yes. Unaccounted for water is beyond the control and/or usage of customers. The percentage of utility plant which is used and useful in providing utility service depends upon how much water customers use, not how much the utility loses or wastes. (DeMeza, Crouch)

COVA: Yes. Unaccounted for water is beyond the control and/or usage of customers. The percentage of utility plant which is used and useful in providing utility service depends upon how much water customers use, not how much the utility loses or wastes.

STAFF: No position at this time.

7. ISSUE: Should the calculation of used and useful be adjusted to remove excess infiltration for wastewater systems?

POSITIONS

UTILITY: No. Nor does the utility agree there is excess infiltration. (Hartman)

OPC: Yes. Wastewater treated by the utility, but not generated by the customers, is beyond the control of the customers. The percentage of utility plant which is used and useful in providing utility service depends upon how much wastewater customers generate, and should exclude that collected from other sources. (DeMeza, Crouch)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 13

COVA: Yes. Wastewater treated by the utility, but not generated by the customers, is beyond the control of the customers. The percentage of utility plant which is used and useful in providing utility service depends upon how much wastewater customers generate, and should exclude that collected from other sources.

STAFF: No position at this time.

8. ISSUE: Is a projected test year proper where the test year is based upon "zero based budgeting" which is itself a projection.

POSITIONS

UTILITY: Yes. Zero-based budgeting is a cost-specific method of budgeting which is more detailed and supportable than trending. (Ausman)

OPC: No. (Willis)

COVA: No.

STAFF: No position at this time.

9. ISSUE: Did the Utility violate Rule 25-30.437, Florida Administrative Code, by failing to identify the assumptions which support the projections of "zero based budgeting".

POSITIONS

UTILITY: No. (Ausman, Wood)

OPC: Yes. Assumptions which support "zero based budgeting" are not found in the Utility's filing. (Assumptions found in the filing purport to support the projections from the numbers obtained by the budgeting process to the projected test year. (Willis)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 14

COVA: Yes. Assumptions which support "zero based budgeting" are not found in the Utility's filing. (Assumptions found in the filing purport to support the projections from the numbers obtained by the budgeting process to the projected test year.

STAFF: No position at this time.

10. ISSUE: What adjustments should be made to rate base for the lower than expected capital additions in 1990?

POSITIONS

UTILITY: 1990 rate base should be adjusted to reflect actual 1990 capital additions. (Wood)

OPC: Capital additions not actually made should be stricken from rate base. (Smith)

COVA: Agree with OPC on general policy. As to Sugarmill Woods, the projected rate base addition for a proposed wastewater plant should be stricken, and an appropriate adjustment should be made to reflect the fact that drilling on wells projected for completion in 1990 did not even begin until 1991. (Hansen)

STAFF: Capital additions not actually made should be stricken from rate base.

11. ISSUE: Should the negative acquisition adjustments for the systems included in this case be used as an offset to rate base?

POSITIONS

UTILITY: No. (Guastella)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 15

OPC: Yes. Negative acquisitions are appropriate where the current owners of a utility have invested less in the utility owned than its booked value. Under Florida law, utility investors are entitled to a return on the investment they actually make if that investment is prudent. The Commission cannot order a return paid on investment not actually made. (Larkin, Smith, Willis)

COVA: Yes. Negative acquisitions are appropriate where the current owners of a utility have invested less in the utility owned than its booked value. Under Florida law, utility investors are entitled to a return on the investment they actually make if that investment is prudent. The Commission cannot order a return paid on investment not actually made.

STAFF: No, Commission policy is to disregard acquisition adjustments, absent extraordinary circumstances, for ratemaking purposes.

12. ISSUE: What are the proper negative acquisition adjustments that should be made?

POSITIONS

UTILITY: None. (Guastella)

OPC: The actual dollar amounts appear in the testimony of testimony of Ralph C. Smith, page 20, et. seq. (Smith)

COVA: No position at this time.

STAFF: No adjustments should be made.

13. ISSUE: Has the Utility reflected an appropriate amount in the Accumulated Deferred Income Tax Debit account?

POSITIONS

UTILITY: Yes. (Gangnon)

OPC: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 16

COVA: No position at this time.

STAFF: No position pending discovery.

14. ISSUE: Has the Utility properly treated the Accumulated Deferred Income Tax Debit (ADIT) balance as a rate base item?

POSITIONS

UTILITY: Yes. (Lewis, Gangnon)

OPC: No.

COVA: No position at this time.

STAFF: No position pending discovery.

15. ISSUE: What is the proper methodology for the computation of working capital allowance?

POSITIONS

UTILITY: As filed, using the one-eighth of operation and maintenance (O & M) expenses method. (Nixon, Ludsen)

OPC: The working capital allowance should be computed by the balance sheet method. (Smith)

COVA: The working capital allowance should be computed by the balance sheet method.

STAFF: Working capital should be computed using the one-eighth of O & M expenses (formula) method.

16. ISSUE: Is the Utility's capital budget overstated?

POSITIONS

UTILITY: No. (Wood)

OPC: Yes. However, the Citizens have no position as to the required adjustment at this time. (Smith)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 17

COVA: The Utility's capital budget is not reliable enough to be used for ratemaking purposes. (Hansen)

STAFF: No position at this time.

CHARLOTTE/LEE COUNTIES (1 Water, 1 Wastewater)

17. ISSUE: Is the average balance of plant overstated because completion of construction projects originally projected to be complete in 1990 will be delayed until 1991?

POSITIONS

UTILITY: Yes, but the additions are understated for 1991. (Wood)

OPC: Pending receipt of discovery, it appears that adjustments will be required to properly reflect the average balance of plant. Further review of this matter is needed. Corresponding adjustments would also be necessary to accumulated depreciation and depreciation expense. (Smith)

COVA: Yes.

STAFF: Pending receipt of discovery, it appears that adjustments will be required to properly reflect the average balance of plant. Further review of this matter is needed. Corresponding adjustments would also be necessary to accumulated depreciation and depreciation expense.

18. ISSUE: Is it appropriate to use an end of year basis to determine the revenue requirement for the water system?

POSITIONS

UTILITY: Yes, when for example as here, it is used in conjunction with step rates. (Ludsen)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 18

OPC: No. There are no extraordinary circumstances.
(Smith, Larkin, Willis)

COVA: No. There are no extraordinary circumstances.

STAFF: A year end test year should only be used when extraordinary circumstances exist. Pending further discovery, staff has no position at this time.

19. ISSUE: What is the proper level of accumulated depreciation?

POSITIONS

UTILITY: Fall-out number.

OPC: Fall-out number.

COVA: Fall-out number.

STAFF: Fall-out number.

20. ISSUE: What is the appropriate amount of used and useful plant?

POSITIONS

UTILITY: As reflected in the MFRs. (Hartman)

OPC: Hydropneumatic Tank(s): 90%

Water:	Treatment Plant	Distribution System
	100%	6%

Sewer:	Treatment Plant	Collection System
	31%	6%

(DeMeza)

COVA: No position at this time.

STAFF: The appropriate amount of used and useful is as follows:

Water treatment plant - 100% used and useful
Water distribution lines - 9% used and useful
Wastewater treatment plant - 78% used and useful
Wastewater collection lines - 8% used and useful

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 19

21. ISSUE: Are any adjustments to CIAC appropriate?

POSITIONS

UTILITY: This should be approached on a case by case basis.
(Lewis)

OPC: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

COVA: No position at this time.

STAFF: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

22. ISSUE: What is the proper level of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Sheahen)

OPC: If OPC's used and useful recommendations, which exclude margin of reserve are not adopted, then additional CIAC must be imputed. Additionally, the amount of CIAC is an arithmetic calculation which is derived from several other adjustments. (Smith, Larkin)

COVA: No position at this time.

STAFF: Fall-out number.

23. ISSUE: What is the proper level of accumulated amortization of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Sheahen)

OPC: Fall-out number. (Larkin, Smith)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 20

COVA: No position at this time.

STAFF: Fall-out number.

24. ISSUE: What is the proper level of working capital to be used for the rate base determination?

POSITIONS

UTILITY: As per the MFRs. (Sheahen)

OPC: Fall-out number. (Larkin, Smith)

COVA: No position at this time.

STAFF: Fall-out number.

25. ISSUE: What is rate base for water and wastewater?

POSITIONS

UTILITY: As per the MFRs, however, if adjustments are applicable and agreed to, then they become fall-out numbers. (Sheahen)

OPC: Fall-out numbers.

COVA: No position at this time.

STAFF: Fall-out numbers.

CITRUS COUNTY (9 Water, 2 Wastewater)

26. ISSUE: Are the plant-in-service accounts properly stated?

POSITIONS

UTILITY: No. Both additions and reductions should be recognized. (Nixon, Wood)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 21

OPC: The Utility should not be allowed to include the proposed Sugarmill Woods wastewater treatment plant because the proposed plant is not needed at this time. Additionally, because construction has not even begun on this plant, and because the Utility's capital budgets have proven unreliable in the past, it is unreasonable to believe that the plant will be in service in 1991.

COVA: The Utility should not be allowed to include the proposed Sugarmill Woods wastewater treatment plant because the proposed plant is not needed at this time. Additionally, because construction has not even begun on this plant, and because the Utility's capital budgets have proven unreliable in the past, it is unreasonable to believe that the plant will be in service in 1991. (Hansen)

STAFF: If completion of material projects is delayed until 1991, or any significant projects are canceled, the average plant balances should be reduced accordingly. Other adjustments may be appropriate.

27. ISSUE: When will the proposed Sugarmill Woods wastewater plant be in operation?

POSITIONS

UTILITY: The plant will not be in operation until 1992. Agree with COVA. (Wood)

OPC: No position at this time.

COVA: Not before January 1992. COVA does not believe that the proposed sewer plant is needed at this time. (Hansen)

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 22

28. ISSUE: When will the three proposed new 10" wells that are to serve the Sugarmill Woods system be on line?

POSITIONS

UTILITY: The total project is to be completed in August, 1991. The contract was let in November, 1990. The wells are to be completed in March, 1991, the mains between the plant and wells by August, 1991. (Wood)

OPC: No position at this time.

COVA: No position at this time. (Hansen)

STAFF: No position at this time.

29. ISSUE: How much of the cost of the three proposed 10" wells should be included in the Utility's rate base for this case?

POSITIONS

UTILITY: The total completion cost in 1991 is \$928,925. \$71,464 was spent through 1990. The wells were projected to cost \$652,831 in 1990. (Wood)

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position at this time.

30. ISSUE: How much will the Utility have to spend on new transmission and distribution lines to serve Sugarmill Woods in 1991?

POSITIONS

UTILITY: No investment in transmission and distribution lines, other than mains from wells to plant. (Wood)

OPC: No position at this time.

COVA: Zero (\$0). (Hansen)

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 23

31. ISSUE: Are the original cost balances for the acquired systems properly stated?

POSITIONS

UTILITY: Adjustments should be made as set forth in the Staff audit report. At the time the MFRs were prepared, detailed information regarding beginning balances in Staff working papers or final order amounts was not available. (Nixon)

OPC: The Commission staff audit report indicated a possible understatement of original cost amounts. However, further review of possible errors is needed.

COVA: No position at this time.

STAFF: The Commission staff audit report indicated a possible understatement of original cost amounts. However, further review of possible errors is needed.

32. ISSUE: What is the proper level of accumulated depreciation?

POSITIONS

UTILITY: Fall-out number.

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

33. ISSUE: What is the appropriate amount of used and useful plant?

POSITIONS

UTILITY: As per the MFRs and Mr. Hartman's rebuttal testimony and exhibits. (Hartman)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 24

OPC: For Apache Shores:

Hydropneumatic Tank(s): 58%

Water:	Treatment Plant 12%	Distribution System 12%
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Sewer:	Treatment Plant 100%	Collection System 100%
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For Golden Terrace:

Hydropneumatic Tank(s): 75%

Water:	Treatment Plant 27%	Distribution System 27%
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Sewer:	Treatment Plant n/a	Collection System n/a
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For Oak Forest:

Hydropneumatic Tank(s): 100%

Water:	Treatment Plant 15%	Distribution System 15%
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Sewer:	Treatment Plant n/a	Collection System n/a
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For Crystal River:

Hydropneumatic Tank(s): 53%

Water:	Treatment Plant 35%	Distribution System 35%
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Sewer:	Treatment Plant n/a	Collection System n/a
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ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 25

For Rolling Green:

Hydropneumatic Tank(s): 9%

Water:	Treatment Plant 47%	Distribution System 47%
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Sewer:	Treatment Plant n/a	Collection System n/a
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For Gospel Island:

Hydropneumatic Tank(s): 100%

Water:	Treatment Plant 7%	Distribution System 7%
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Sewer:	Treatment Plant n/a	Collection System n/a
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For Point O'Woods:

Hydropneumatic Tank(s): n/a

Water:	Treatment Plant 12%	Distribution System 8%
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Sewer:	Treatment Plant 14%	Collection System 14%
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For Rosemont:

Hydropneumatic Tank(s): 83%

Water:	Treatment Plant 21%	Distribution System 21%
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Sewer:	Treatment Plant n/a	Collection System n/a
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ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 26

For Sugar Mill Woods:

Hydropneumatic Tank(s): 60%, 75%, and 75%

Water:	Treatment Plant	Distribution System
	81%	20%

Sewer:	Treatment Plant	Collection System
	58%	20%

(DeMeza)

COVA: No position at this time. (Hansen)

STAFF: No position at this time.

34. ISSUE: What is the appropriate number of ERCs to be used in calculating used and useful percentages for the Sugarmill Woods system?

POSITIONS

UTILITY: Agree with COVA that the appropriate number of ERCs is 9,054. (Hartman)

OPC: 9,053 ERCs. (DeMeza)

COVA: 9,054 ERCs. (Hansen)

STAFF: No position at this time.

35. ISSUE: Has the Utility properly applied Citrus County Ordinance No. 86-10 in calculating the used and useful percentage for water well capacity?

POSITIONS

UTILITY: Yes, the Utility has properly interpreted Citrus County Ordinance No. 86-10. The ordinance was not used to determine the used and usefulness of the water supply capacity of Sugarmill Woods. (Hartman)

OPC: No. (DeMeza, Crouch)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 27

COVA: No. Citrus County Ordinance No. 86-10 requires total supply well and well pump capacity of 50 percent of the combined peak hourly domestic demand rate and required fire flow rate for the minimum total flow duration specified in the ordinance. Correct application of the ordinance to the Sugarmill Woods' system results in a well capacity requirement of 4,536 GPM, which in turn yields a used and useful percentage of 94.5 percent. (Hansen)

STAFF: No position at this time.

36. ISSUE: Should CIAC for water be imputed for customers in Sugarmill Woods who purchased lots before November 1982, and if so, how much?

POSITIONS

UTILITY: All imputed CIAC for customers who purchased lots prior to November, 1982, has been provided for. The Utility has included net CIAC per ERC of \$371 for water and \$1,107 for wastewater in the Sugarmill Woods rate base. In the 1985 rate case, net imputed CIAC per ERC amounted to \$296 for water and \$843 for wastewater. (Nixon)

OPC: At least the amount imputed in the 1985 general rate case of the Utility's predecessor, Twin County Utility, less normal amortization from then until 1990. Additional CIAC should be imputed for customers who purchased lots in Sugarmill Woods before November 1982 but did not build their homes until after the 1985 rate case.

COVA: At least the amount imputed in the 1985 general rate case of the Utility's predecessor, Twin County Utility, less normal amortization from then until 1990. Additional CIAC should be imputed for customers who purchased lots in Sugarmill Woods before November 1982 but did not build their homes until after the 1985 rate case. (Hansen)

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 28

37. ISSUE: Are other adjustments to CIAC appropriate?

POSITIONS

UTILITY: Adjustments should be considered on a case by case basis. (Lewis)

OPC: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

COVA: No position at this time.

STAFF: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

38. ISSUE: What is the appropriate level of CIAC?

UTILITY: As per the MFRs. (Nixon)

OPC: No position at this time. (Smith)

COVA: No position at this time.

STAFF: Fall-out number.

39. ISSUE: What is the appropriate level of CIAC for the Sugarmill Woods division or system of the Utility?

UTILITY: As per the MFRs. (Nixon)

OPC: No position at this time. (Smith)

COVA: No position at this time. (Hansen)

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 29

40. ISSUE: What is the proper level of accumulated amortization of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number. (Smith)

COVA: No position at this time.

STAFF: Fall-out number.

41. ISSUE: What is the proper level of working capital to be used for the rate base determination?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number. (Smith)

COVA: No position at this time.

STAFF: Fall-out number.

42. ISSUE: What is rate base for water and wastewater?

POSITIONS

UTILITY: As per the MFRs, however, if adjustments are applicable and agreed to, then they become fall-out numbers. (Nixon)

OPC: Fall-out numbers. (Smith)

COVA: No position at this time.

STAFF: Fall-out numbers.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 30

COLLIER COUNTY (2 Water, 2 Wastewater)

43. ISSUE: Should the Commission approve the Utility's request to implement two-step rate increases for the Marco Island and Marco Shores water and wastewater systems?

POSITIONS

UTILITY: Yes. (Ludsen)

OPC: No.

COVA: No position at this time.

STAFF: Yes.

44. ISSUE: Are plant and accumulated depreciation correctly stated in the rate base schedules per the current MFRs?

POSITIONS

UTILITY: Adjustments should be made for mechanical errors. (Russell)

OPC: No.

COVA: No position at this time.

STAFF: No.

45. ISSUE: Is the average plant balance overstated if some construction projects are completed in 1991 rather than 1990?

POSITIONS

UTILITY: Agree with Staff, but if projects have been added, they should also be recognized. (Russell, Wood)

OPC: Yes. (Smith)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 31

COVA: No position at this time.

STAFF: Yes. If completion of some material projects is delayed until 1991 (i.e.; scrubber equipment for the Marco Island wastewater system), the average plant balance and accumulated depreciation balances should be adjusted accordingly. Further information is needed to determine the appropriate corrections. If any projects have been canceled, adjustments would also be needed.

46. ISSUE: If the construction of the reverse osmosis plant at Marco Island Utilities is substantially delayed or terminated, how should that be addressed?

POSITIONS

UTILITY: Step rates implemented at time of completion. (Ludsen)

OPC: No position at this time. (Neither rate base or expenses) (Smith)

COVA: No position at this time.

STAFF: No position at this time.

47. ISSUE: Should the costs for the construction and operation of the deep well injection at Marco Island Utilities be divided equally between the water and wastewater accounts?

POSITIONS

UTILITY: Yes. (Wood, Terrero)

OPC: No position at this time. (Smith)

COVA: No position at this time.

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 32

48. ISSUE: Is the provision for capitalized organization costs properly stated?

POSITIONS

UTILITY: As per the MFRs. (Ausman)

OPC: No. There are costs associated with non utility transactions included and should be removed. (Smith)

COVA: No position at this time.

STAFF: The allowance for organization costs related to Topeka's acquisition of the Deltona and United Florida utility systems should be disallowed. These costs should be considered shareholders' costs and should not be borne by the customers. If allowed, however, the allocation among the various systems must be examined for probable errors, which could include the current allocation of 60.7% of the reported overall \$980,368 amount to the Marco Shores system. Further, the present assignment of the organization cost solely to the water division (0 for wastewater) must be examined for reasonableness. This issue will affect all of the Deltona and United Florida systems.

49. ISSUE: Is the provision for land properly stated?

POSITIONS

UTILITY: Yes. Proper documentation was provided and no adjustment should be made to take this land out of rate base, as this tract is currently being used to dispose of lime sludge from the lime softening plant. This parcel has been used for this purpose since 1985. (Sweat)

OPC: The land account for the water division appears to include \$263,000 (160 acres) for possible future well sites, which may require a used and useful adjustment. Further, the Staff Auditors reported that the Utility was unable to provide adequate

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 33

documentation regarding the original cost of land acquired for the Marco Island and Marco Shores wastewater systems, which may necessitate other adjustments.

COVA: No position at this time.

STAFF: The land account for the water division appears to include \$263,000 (160 acres) for possible future well sites, which may require a used and useful adjustment. Further, the Staff Auditors reported that the Utility was unable to provide adequate documentation regarding the original cost of land acquired for the Marco Island and Marco Shores wastewater systems, which may necessitate other adjustments.

50. ISSUE: Should the provision for deferred (prepaid) income taxes be limited to CIAC?

POSITIONS

UTILITY: No. (Gangnon)

OPC: No position at this time. (Smith, Walker, Todd)

COVA: No position at this time.

STAFF: Yes.

51. ISSUE: What is the proper level of accumulated depreciation?

POSITIONS

UTILITY: Fall-out number.

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 34

52. ISSUE: Should a margin reserve be included in the calculations of used and useful plant for Marco Island Utilities?

POSITIONS

UTILITY: Yes. (Guastella)

OPC: No. To furnish capacity for future customers is a task to be borne by the utility and financed by new customers as they arrive; not the financial responsibility of existing customers. (DeMeza)

COVA: No. To furnish capacity for future customers is a task to be borne by the utility and financed by new customers as they arrive; not the financial responsibility of existing customers.

STAFF: Yes, for the wastewater treatment plant a margin reserve should be included. The company has not requested a margin reserve for the water treatment plant or the distribution and collection lines so a margin reserve should not be included in those calculations.

53. ISSUE: What is the appropriate amount of used and useful plant for Marco Island Utilities?

POSITIONS

UTILITY: As per the MFRs. (Guastella)

OPC: Hydropneumatic Tank(s): n/a

Water:	Treatment Plant	Distribution System
	91%	93%

Sewer:	Treatment Plant	Collection System
	72%	72%

(DeMeza)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 35

COVA: No position at this time.

STAFF: The appropriate amount of used and useful plant is as follows:

Water treatment plant - 100% used and useful
 Water distribution lines - 100% used and useful
 Wastewater treatment plant - 82% used and useful
 Wastewater collection lines - 100% used and useful

54. ISSUE: Should a margin reserve be included in the calculations of used and useful plant for Marco Shores Utilities?

POSITIONS

UTILITY: As per the MFRs. (Guastella)

OPC: No. To furnish capacity for future customers is a task to be borne by the utility and financed by new customers as they arrive; not the financial responsibility of existing customers. (DeMeza)

COVA: No position at this time.

STAFF: Yes, a margin reserve should be included for both the water and wastewater treatment plants. Since the distribution and collection lines are contributed, a margin reserve is not necessary.

55. ISSUE: What is the appropriate amount of used and useful plant for Marco Shores Utilities?

POSITIONS

UTILITY: As per the MFRs. (Guastella)

OPC: Hydropneumatic Tank(s): n/a

Water:	Treatment Plant	Distribution System
	55%	39%

Sewer:	Treatment Plant	Collection System
	48%	48%

(DeMeza)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 36

COVA: No position at this time.

STAFF: The appropriate amount of used and useful plant is as follows:

Water treatment plant - 55.3% used and useful
Water distribution lines - 100% used and useful
Wastewater treatment plant - 61% used and useful
Wastewater collection lines - 100% used and useful

56. ISSUE: Are any adjustments to CIAC appropriate?

POSITIONS

UTILITY: Adjustments should be approved on a case by case basis. (Lewis)

OPC: If service availability charges are adjusted in this proceeding, the average and end of year CIAC amounts may require correction. Further, as shown on Mr. Russell's corrected rate base schedules, the end-of-year CIAC amount should be included in any end-of-year rate base determination. Further adjustments to the average test year balances of accumulated amortization and test year expense will be required.

COVA: No position at this time.

STAFF: If service availability charges are adjusted in this proceeding, the average and end of year CIAC amounts may require correction. Further, as shown on Mr. Russell's corrected rate base schedules, the end-of-year CIAC amount should be included in any end-of-year rate base determination. Further adjustments to the average test year balances of accumulated amortization and test year expense will be required.

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 37

57. ISSUE: What is the proper level of CIAC?

POSITIONS

UTILITY:

	<u>Average</u>	<u>End-of-year</u>
Water	5,552,570	6,040,005
Wastewater (Russell)	4,242,785	4,342,808

OPC: If OPC's used and useful recommendations, which exclude margin of reserve are not adopted, then additional CIAC must be imputed. Additionally, the amount of CIAC is an arithmetic calculation which is derived from several other adjustments. (Smith)

COVA: No position at this time.

STAFF: Fall-out number.

58. ISSUE: What is the proper level of accumulated amortization of CIAC?

POSITIONS

UTILITY:

	<u>Average</u>	<u>End-of-year</u>
Water	617,789	702,681
Wastewater (Russell)	986,966	1,061,731

OPC: Fall-out number.

COVA: No position at this time.

STAFF: No position at this time.

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 38

59. ISSUE: What is the proper level of working capital to be used for the rate base determination?

POSITIONS

UTILITY:

	<u>Average</u>	<u>End-of-year</u>
Water	267,480	378,541
Wastewater (Russell)	154,498	159,812

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

60. ISSUE: What is rate base for water and wastewater?

POSITIONS

UTILITY: As per the MFRs, however, if adjustments are applicable and agreed to, they become fall-out numbers. (Russell)

OPC: Fall-out numbers.

COVA: No position at this time.

STAFF: Fall-out numbers.

MARION COUNTY/SOUTHERN STATES (3 Water, 3 Wastewater)

61. ISSUE: What is the proper level of accumulated depreciation?

POSITIONS

UTILITY: Fall-out number.

OPC: Fall-out number.

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 39

COVA: No position at this time.

STAFF: Fall-out number.

62. ISSUE: What is the appropriate amount of used and useful plant?

POSITIONS

UTILITY: As per the MFRs. (Hartman)

OPC: For Salt Springs:

Hydropneumatic Tank(s): 38% and 44%

Water:	Treatment Plant	Distribution System
	Existing: 90%	90%
	New: 29%	

Sewer:	Treatment Plant	Collection System
	91%	91%

For Citrus Park:

Hydropneumatic Tank(s): 60%

Water:	Treatment Plant	Distribution System
	39%	40%

Sewer:	Treatment Plant	Collection System
	53%	53%

For South Forty:

Hydropneumatic Tank(s): n/a

Water:	Treatment Plant	Distribution System
	n/a	n/a

Sewer:	Treatment Plant	Collection System
	79%	85%

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 40

For Samira Villas:

Hydropneumatic Tank(s): 85%

Water:	Treatment Plant 11%	Distribution System 4%
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Sewer:	Treatment Plant n/a (DeMeza)	Collection System n/a
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COVA: No position at this time.

STAFF: Calculations are presently being compiled based on trending growth.

63. ISSUE: Are any adjustments to CIAC appropriate?

POSITIONS

UTILITY: Adjustments should be considered on a case by case basis. (Lewis)

OPC: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required. OPC has reservations as to the notice requirements, however.

COVA: No position at this time.

STAFF: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

64. ISSUE: What is the proper level of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: If OPC's used and useful recommendations, which exclude margin of reserve are not adopted, then additional CIAC must be imputed. Additionally, the amount of CIAC is an arithmetic calculation which is derived from several other adjustments. (Smith)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 41

COVA: No position at this time.

STAFF: Fall-out number.

65. ISSUE: What is the proper level of accumulated amortization of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

66. ISSUE: What is the proper level of working capital to be used for the rate base determination?

POSITIONS

UTILITY: As per the MFRs.

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

67. ISSUE: What is rate base for water and wastewater?

POSITIONS

UTILITY: As per the MFRs, however, if adjustments are applicable and agreed to, they become fall-out numbers. (Nixon)

OPC: Fall-out numbers.

COVA: No position at this time.

STAFF: Fall-out numbers.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 42

MARION COUNTY/UNITED FLORIDA (1 Water, 1 Wastewater)

68. ISSUE: Is the provision for capitalized organization costs properly stated?

POSITIONS

UTILITY: Yes. (Ausman)

OPC: No. The allowance for organization costs related to Topeka's acquisition of the Deltona and United Florida utility systems should be disallowed. These costs should be considered shareholders' costs and should not be borne by the customers. If allowed, however, the allocation among the various systems must be examined for probable errors and allocations between water and wastewater. This issue will affect all of the Deltona and United Florida systems.

COVA: No position at this time.

STAFF: No. The allowance for organization costs related to Topeka's acquisition of the Deltona and United Florida utility systems should be disallowed. These costs should be considered shareholders' costs and should not be borne by the customers. If allowed, however, the allocation among the various systems must be examined for probable errors and allocations between water and wastewater. This issue will affect all of the Deltona and United Florida systems.

69. ISSUE: What is the proper level of accumulated depreciation?

POSITIONS

UTILITY: Fall-out number.

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 43

70. ISSUE: What is the appropriate amount of used and useful plant?

POSITIONS

UTILITY: As per the MFRs. (Hartman)

OPC: For Marion Oaks:

Hydropneumatic Tank(s): 100%

Water:	Treatment Plant	Distribution System
	71%	27%

Sewer:	Treatment Plant	Collection System
	55%	81%

(DeMeza)

COVA: No position at this time.

STAFF: No position at this time.

71. ISSUE: Are any adjustments to CIAC appropriate?

POSITIONS

UTILITY: This should be approached on a case by case basis. (Lewis)

OPC: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required. OPC has reservations, however, regarding to notice requirements.

COVA: No position at this time.

STAFF: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

72. ISSUE: What is the proper level of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 44

OPC: If OPC's used and useful recommendations, which exclude margin of reserve are not adopted, then additional CIAC must be imputed. Additionally, the amount of CIAC is an arithmetic calculation which is derived from several other adjustments. (Smith)

COVA: No position at this time.

STAFF: Fall-out number.

73. ISSUE: What is the proper level of accumulated amortization of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

74. ISSUE: What is the proper level of working capital to be used for the rate base determination?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

75. ISSUE: What is rate base for water and wastewater?

POSITIONS

UTILITY: As per the MFRs, however, if adjustments are applicable and agreed to, they become fall-out numbers. (Seidman)

OPC: Fall-out numbers.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 45

COVA: No position at this time.

STAFF: Fall-out numbers.

MARTIN COUNTY (3 Water, 3 Wastewater)

76. ISSUE: Do the utility's MFRs reflect an accurate balance of plant in service?

POSITIONS

UTILITY: No. Agree with Staff. (Lewis)

OPC: No. (Smith)

COVA: No position at this time.

STAFF: No. The utility's adjustments to test year plant relate to plant that has already been included in the average balance before any adjustments. This results in a double counting of its 1989 through 1991 plant additions to rate base. The utility's total adjustments to plant for both water and wastewater should be removed. Corresponding adjustments should also be made to accumulated depreciation and depreciation expense.

77. ISSUE: Is the average balance of plant overstated because completion of construction projects originally projected to be completed in 1990 will be delayed until 1991?

POSITIONS

UTILITY: Agree with staff, with exception that if projects have been added, they should be recognized. (Lewis, Wood)

OPC: Yes. (Smith)

COVA: No position at this time.

STAFF: Pending receipt of discovery, it appears that adjustments will be required to properly reflect the average balance of plant. Further review of this matter is needed. Corresponding adjustments would also be necessary to accumulated depreciation and depreciation expense.

78. ISSUE: What is the proper level of accumulated depreciation?

POSITIONS

UTILITY: Fall-out number.

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

79. ISSUE: Should a margin reserve be included in the calculations of used and useful plant for Martin County?

POSITIONS

UTILITY: Yes. (Lewis)

OPC: No. To furnish capacity for future customers is a task to be borne by the utility and financed by new customers as they arrive; not the financial responsibility of existing customers. (DeMeza)

COVA: No. To furnish capacity for future customers is a task to be borne by the utility and financed by new customers as they arrive; not the financial responsibility of existing customers.

STAFF: No, the Fisherman's Haven and Leilani Heights service areas are already fully developed and, based upon the rate of growth for the previous five years, the Fox Run service area should be fully developed by the end of 1991.

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 47

80. ISSUE: What are the appropriate amounts of used and useful plant?

POSITIONS

UTILITY: Based upon the information currently available to Staff, it appears that all treatment and distribution/collection plant is 100 percent used and useful. (Hartman)

OPC: For Fisherman's Haven:

Water:	Treatment Plant	Distribution system
	50%	52%

Sewer:	Treatment Plant	Collection System
	100%	100%

Misc: Hydropneumatic tanks 15%

For Leilani Heights:

Water:	Treatment Plant	Distribution system
	45%	45%

Sewer:	Treatment Plant	Collection System
	100%	100%

Misc: Hydropneumatic tanks 56% and 15%

For Fox Run:

Hydropneumatic Tank(s): 85%

Water:	Treatment Plant	Distribution System
	18%	18%

Sewer:	Treatment Plant	Collection System
	88%	87%

(DeMeza)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 48

COVA: No position at this time.

STAFF: Based upon the information currently available to Staff, it appears that all treatment and distribution/collection plant is 100 percent used and useful.

81. ISSUE: Are any adjustments to CIAC appropriate?

POSITIONS

UTILITY: This should be approached on a case by case basis. (Lewis)

OPC: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required. OPC has reservations, however, regarding notice requirements.

COVA: No position at this time.

STAFF: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

82. ISSUE: What is the proper level of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Lewis)

OPC: If OPC's used and useful recommendations, which exclude margin of reserve are not adopted, then additional CIAC must be imputed. Additionally, the amount of CIAC is an arithmetic calculation which is derived from several other adjustments. (Smith)

COVA: No position at this time.

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 49

83. ISSUE: What is the proper level of accumulated amortization of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Lewis)

OPC: This is an arithmetic calculation which is derived from several other adjustments.

COVA: Fall-out number.

STAFF: Fall-out number.

84. ISSUE: What is the proper level of working capital to be used for the rate base determination?

POSITIONS

UTILITY: As per the MFRs. (Lewis)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

85. ISSUE: What is rate base for water and wastewater?

POSITIONS

UTILITY: As per the MFRs, however, if adjustments are applicable and agreed to, they become fall-out numbers. (Lewis)

OPC: Fall-out numbers.

COVA: Fall-out numbers.

STAFF: Fall-out numbers.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 50

WASHINGTON COUNTY (1 Water, 1 Wastewater)

86. ISSUE: Is the average plant balance overstated if some construction projects are completed in 1991 rather than 1990?

POSITIONS

UTILITY: Agree with staff, with exception that if projects have been added, they should be recognized.
(Seidman, Wood)

OPC: Yes. (Smith)

COVA: No position at this time.

STAFF: Yes. If completion of some material projects is delayed until 1991, the average plant and accumulated depreciation balances, as well as depreciation expense should be adjusted accordingly. Further information is needed to determine the appropriate corrections. If any projects have been canceled, adjustments would also be needed.

87. ISSUE: Is the provision for capitalized organization costs properly stated?

POSITIONS

UTILITY: Yes. (Ausman)

OPC: No. There are costs associated with non utility transactions included and should be removed.
(Smith)

COVA: No position at this time.

STAFF: The allowance for organization costs related to Topeka's acquisition of the Deltona and United Florida utility systems should be disallowed. These costs should be considered shareholders' costs and should not be borne by the customers. If allowed, however, the allocation among the various systems must be examined for probable errors.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 51

88. ISSUE: Is the provision for land properly stated?

POSITIONS

UTILITY: Yes. (Seidman)

OPC: No. (Walker, Todd)

COVA: No position at this time.

STAFF: No. The Utility has not provided adequate documentation regarding the original cost of some parcels of land acquired for the Deltona and United Florida systems.

89. ISSUE: Should an adjustment be made to reflect land held for future use?

POSITIONS

UTILITY: Agree with Staff that \$198,000, for six parcels totalling 51 acres, should be reflected as land held for future use. (Seidman)

OPC: Yes. (Walker, Todd)

COVA: No position at this time.

STAFF: Yes, an adjustment should be made to exclude \$198,000 worth of land being held for a future water plant.

90. ISSUE: What is the proper level of accumulated depreciation?

POSITIONS

UTILITY: Fall-out number.

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 52

91. ISSUE: What is the appropriate amount of used and useful plant?

POSITIONS

UTILITY: As per the MFRs. (Hartman)

OPC: Hydropneumatic Tank(s): 30% and 40%

Water:	Treatment Plant	Distribution System
	35%	7%

Sewer:	Treatment Plant	Collection System
	50%	36%

(DeMeza)

COVA: No position at this time.

STAFF: Wastewater treatment plant - 48% used and useful
Wastewater collection system - 37% used and useful

92. ISSUE: Are any adjustments to CIAC appropriate?

POSITIONS

UTILITY: This should be approached on a case by case basis.
(Lewis)

OPC: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required. OPC has reservations as to the notice requirements, however.

COVA: No position at this time.

STAFF: If service availability charges are adjusted in this proceeding, further adjustments to the average test year balances of CIAC and related amortization will be required.

93. ISSUE: What is the proper level of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 53

OPC: If OPC's used and useful recommendations, which exclude margin of reserve are not adopted, then additional CIAC must be imputed. Additionally, the amount of CIAC is an arithmetic calculation which is derived from several other adjustments. (Smith)

COVA: No position at this time.

STAFF: Fall-out number.

94. ISSUE: What is the proper level of accumulated amortization of CIAC?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

95. ISSUE: What is the proper level of working capital to be used for the rate base determination?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

96. ISSUE: What is rate base for water and wastewater?

POSITIONS

UTILITY: As per the MFRs, however, if adjustments are applicable and agreed to, they become fall-out numbers. (Seidman)

OPC: Fall-out number.

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 54

COVA: No position at this time.

STAFF: Fall-out number.

COST OF CAPITAL

97. ISSUE: What is (are) the appropriate capital structure(s) to use for ratemaking purposes?

POSITIONS

UTILITY: Based upon the common ownership of Southern States Utilities, Inc., Deltona Utilities, Inc., and United Florida Utilities Corporation, and the fact that all three utilities operate within one state, a consolidated capital structure should be used for ratemaking purposes. (Ausman, Vierima)

OPC: No position at this time.

COVA: No position at this time.

STAFF: Based upon the common ownership of Southern States Utilities, Inc., Deltona Utilities, Inc., and United Florida Utilities Corporation, and the fact that all three utilities operate within one state, a consolidated capital structure should be used for ratemaking purposes.

98. ISSUE: How should the capital structures of The Topeka Group and Minnesota Power and Light be recognized in the computation of rate of return?

POSITIONS

UTILITY: They should not be recognized. (Gangnon, Vierima)

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 55

99. ISSUE: Should any acquisition adjustment at the parent company and the Southern States level be used to offset the cost of capital?

POSITIONS

UTILITY: No. (Guastella)

OPC: Yes. (Willis)

COVA: No position at this time.

STAFF: No position at this time.

100. ISSUE: What is the proper level and cost of debt?

POSITIONS

UTILITY: As per the MFRs. (Ausman)

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position at this time. Staff is still conducting discovery regarding this issue.

101. ISSUE: What is the correct cost rate of ITC's if a combined capital structure is used?

POSITIONS

UTILITY: As per MFRs. (Gangnon)

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 56

102. ISSUE: What is the proper amount of equity to be included in the capital structure?

POSITIONS

UTILITY: As per the MFRs. (Ausman)

OPC: No position at this time. (Larkin)

COVA: No position at this time.

STAFF: No position at this time pending further discovery.

103. ISSUE: Should non-regulated investments be removed from the capital structure solely from common equity?

POSITIONS

UTILITY: No. (Ausman)

OPC: Yes. (Smith, Hill)

COVA: Yes. Non-regulated investments should be removed solely from equity when reconciling rate base and capital structure.

STAFF: Yes. Non-regulated investments should be removed solely from equity when reconciling rate base and capital structure.

104. ISSUE: What amount of zero-cost preferred stock, if any, should be reflected in the capital structure?

POSITIONS

UTILITY: None. (Ausman)

OPC: Yes.

COVA: No position at this time.

STAFF: No position pending further discovery.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 56

102. ISSUE: What is the proper amount of equity to be included in the capital structure?

POSITIONS

UTILITY: As per the MFRs. (Ausman)

OPC: No position at this time. (Larkin)

COVA: No position at this time.

STAFF: No position at this time pending further discovery.

103. ISSUE: Should non-regulated investments be removed from the capital structure solely from common equity?

POSITIONS

UTILITY: No. (Ausman)

OPC: Yes. (Smith, Hill)

COVA: Yes. Non-regulated investments should be removed solely from equity when reconciling rate base and capital structure.

STAFF: Yes. Non-regulated investments should be removed solely from equity when reconciling rate base and capital structure.

104. ISSUE: What amount of zero-cost preferred stock, if any, should be reflected in the capital structure?

POSITIONS

UTILITY: None. (Ausman)

OPC: Yes.

COVA: No position at this time.

STAFF: No position pending further discovery.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 57

105. ISSUE: What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 1991?

POSITIONS

UTILITY: The appropriate overall rate of return for all systems is 11.93 percent as per the MFRs. For the individual systems, the appropriate rates of return are 11.12 percent for Charlotte/Lee, Citrus, Marion (Southern States), and Martin County, 11.61 percent for Marion (United Florida) and Washington County, and 12.45 percent for the Collier County. (Ausman, Vierima)

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position pending further discovery.

NET OPERATING INCOME

COMMON ISSUES FOR ALL SYSTEMS

106. ISSUE: Are the utility's projection methodology for operation and maintenance expenses reasonable?

POSITIONS

UTILITY: Yes. (Ausman)

OPC: The company's operating expenses are the product of a "zero based budgeting" procedure which is only peripherally related to actual experience. How the company projected the budget from which operating expenses are projected is a matter which is left to conjecture. (Larkin, Smith)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 58

COVA: The Utility's operating and maintenance budget is not reliable enough to be used for ratemaking purposes in this proceeding. (Hansen)

STAFF: No position pending further discovery.

107. ISSUE: Are adjustments necessary to the projected provisions for employee benefits?

POSITIONS

UTILITY: No. (Ausman)

OPC: Yes. For the reasons stated on pages 26-27 of the testimony of Hugh Larkin, Jr., test year health care expense is overstated and should be reduced. (Larkin)

COVA: Yes. For the reasons stated on pages 26-27 of the testimony of Hugh Larkin, Jr., test year health care expense is overstated and should be reduced.

STAFF: Yes. Adjustments are necessary to consistently apply the percentage of payroll costs which were allocated to construction as opposed to operation costs.

108. ISSUE: What adjustment should be made to advertising expenses?

POSITIONS

UTILITY: None. (Ausman)

OPC: The adjustments described on pages 10-11 of the testimony of Hugh Larkin, Jr. and detailed on Schedules 2.1 and 2.2 of Exhibit HL-1 should be reflected. (Larkin)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 59

COVA: The adjustments described on pages 10-11 of the testimony of Hugh Larkin, Jr. and detailed on Schedules 2.1 and 2.2 of Exhibit HL-1 should be reflected.

STAFF: Advertising expenses would only be allowed when there is a direct benefit to the ratepayers.

109. ISSUE: Should charitable contributions be included in above the line operating expenses?

POSITIONS

UTILITY: Yes. (Phillips)

OPC: No. In accordance with Commission precedent and for the reasons stated on pages 19-23 of the testimony of Hugh Larkin, Jr., donations should be excluded from recovery. (Larkin)

COVA: No. In accordance with Commission precedent and for the reasons stated on pages 19-23 of the testimony of Hugh Larkin, Jr., donations should be excluded from recovery.

STAFF: No. Charitable contributions costs should be borne by the shareholders and not recovered through customer rates.

110. ISSUE: What adjustment should be made to miscellaneous expenses?

POSITIONS

UTILITY: If we adjust such expenses, all expenses should be adjusted to actual levels, not just those selected by Public Counsel. (Ausman)

OPC: The adjustment described on pages 11-18 of the testimony of Hugh Larkin, Jr. and detailed on Schedules 2.3 and 2.4 of Exhibit HL-1 should be reflected. (Larkin)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 60

COVA: The adjustment described on pages 11-18 of the testimony of Hugh Larkin, Jr. and detailed on Schedules 2.3 and 2.4 of Exhibit HL-1 should be reflected.

STAFF: No position at this time.

111. ISSUE: Should employee entertainment expenses be included for recovery?

POSITIONS

UTILITY: Yes. (Phillips)

OPC: No. For the reasons stated on pages 23-24 of the testimony of Hugh Larkin, Jr., employee entertainment should be excluded from recovery. (Larkin)

COVA: No. For the reasons stated on pages 23-24 of the testimony of Hugh Larkin, Jr., employee entertainment should be excluded from recovery.

STAFF: No position at this time.

112. ISSUE: Should an adjustment be made to remove improper expense account costs from recovery?

POSITIONS

UTILITY: No. (Ausman)

OPC: Yes.

COVA: Yes.

STAFF: If expenses are found to be improper they should be removed.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 61

113. ISSUE: Should an adjustment be made to remove O & M expenses found to be excessive or improper?

POSITIONS

UTILITY: There are none. (Ausman)

OPC: Yes. (Larkin, Willis)

COVA: Yes.

STAFF: Yes.

114. ISSUE: What adjustments are necessary to remove non-recurring expenses?

POSITIONS

UTILITY: None. (Ausman)

OPC: The necessary adjustments are described on pages 27-31 of the testimony of Hugh Larkin, Jr. The amounts are not known. (Larkin)

COVA: They should be excluded.

STAFF: Nonrecurring expenses should either be amortized or excluded.

115. ISSUE: What potential savings will be realized which have not been reflected in this application due to the combination of companies and/or rates?

POSITIONS

UTILITY: Upon reviewing the Staff Interrogatory 5, please note that the answer regarding potential savings relates to whether the Commission allows cross-county rates. These savings are not expected to occur during the 1991 test year. (Ausman)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 62

OPC: To the extent the record reveals that savings or costs should be considered due to combined ownership of the SSU, DUI and UFU systems or due to uniform rate collections, rate base and expenses should be adjusted accordingly.

COVA: No position at this time.

STAFF: To the extent the record reveals that savings should be considered due to combined ownership of the SSU, DUI and UFU systems or due to uniform rate collections, rate base and expenses should be adjusted accordingly.

116. ISSUE: Did the Utility incur unnecessary rate case expense in neglecting to file under the staff assistance program maintained by the Commission?

POSITIONS

UTILITY: No. (Deterding)

OPC: Yes. (Hill)

COVA: Yes.

STAFF: No.

117. ISSUE: Did the Utility incur unnecessary rate case expense in requesting the Commission not follow its Proposed Agency Action processing of this filing?

POSITIONS

UTILITY: No. (Deterding)

OPC: Yes. (Hill)

COVA: Yes.

STAFF: No.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 63

118. ISSUE: Are adjustments necessary to remove home office rate case expense?

POSITIONS

UTILITY: Agree with Staff to the extent that it relates to systems not included in this docket. (Ausman)

OPC: Yes. (Walker)

COVA: No position at this time.

STAFF: Yes. Most of the systems have an amount included for home office rate case expense in the allocation of administrative costs. Since each system is being assigned direct rate case costs in this proceeding, the allocation of old rate case expense should be removed.

119. ISSUE: What is the appropriate amount of rate case expense to be allowed in this proceeding?

POSITIONS

UTILITY: 100 percent of actual expenses. (The Utility will provide actual costs thru January 31, 1991, and projected costs to the completion of the hearing process.) (Deterding)

OPC: All of the rate case expense which would have been avoided by the Utility's filing under staff assistance should be excluded. Failing in this, one-half of the Utility's projected rate case expense should be excluded from recovery for the reasons stated on pages 31-36 of the testimony of Hugh Larkin, Jr. (Larkin)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 64

COVA: No position at this time as to the actual amount of allowable rate case expense. Section 367.0815, Florida Statutes, which provides for a mandatory apportionment of rate case expense, is controlling.

STAFF: No detailed position at this time. However, it appears that the provision for unamortized prior rate case costs may be overstated.

120. ISSUE: Is the allocation methodology of spreading administrative costs by county, region and total company based on direct labor reasonable?

POSITIONS

UTILITY: Yes. (Ausman, Ludsen)

OPC: No position at this time. (Larkin)

COVA: No position at this time.

STAFF: No position at this time.

121. ISSUE: Should a parent-debt adjustment be made in this docket?

POSITIONS

UTILITY: No. Based upon IRS proposed regulation in notice #ps 107-88 for any rate order which becomes final after December 20, 1990 (Gangnon)

OPC: No. Proposed rule does not amount to a known and imminent change upon which that period should be adjusted. (Larkin, Walker)

COVA: No position at this time.

STAFF: No, however, the associated revenues should be held subject to disposition pending finalization of the IRS proposed regulations.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 65

122. ISSUE: Should an ITC interest synchronization adjustment be made?

POSITIONS

UTILITY: ITC interest synchronization is not appropriate. However, it is allowable under IRS rules for an F2 company. (Gangnon)

OPC: No position at this time.

COVA: No position at this time.

STAFF: Yes, for Option 2 companies.

123. ISSUE: What is the correct ITC amortization for each system?

POSITIONS

UTILITY: No position at this time.

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position at this time.

124. ISSUE: What is the appropriate test year income tax expense?

POSITIONS

UTILITY: As per the MFRs. (Lewis, Nixon, Sheahen, Russell, Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 66

CHARLOTTE/LEE (1 Water, 1 Wastewater)

125. ISSUE: What are test year revenues?

POSITIONS

UTILITY: As per the MFRs. (Sheahen)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

126. ISSUE: Is an adjustment necessary to reflect the proper amount of test year operation and maintenance expenses?

POSITIONS

UTILITY: No. (Sheahen)

OPC: Based upon review of the Utility's allocated budget for this system, test year O&M expenses have been overstated in the MFRs.

COVA: No position at this time.

STAFF: Based upon review of the Utility's allocated budget for this system, test year O&M expenses have been overstated in the MFRs.

127. ISSUE: What is the appropriate amount of test year used and useful depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Sheahen)

OPC: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 67

COVA: No position at this time.

STAFF: Fall-out number.

128. ISSUE: What is the proper level of CIAC amortization to be used as an offset to depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Sheahen)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

129. ISSUE: Should the utility's requested provision for taxes other than income be approved?

POSITIONS

UTILITY: Yes. (Sheahen)

OPC: No. To be consistent with the treatment requested for other systems, the provision for increased property taxes on 1990 and 1991 plant additions should be considered as a future pass-through consideration.

COVA: No position at this time.

STAFF: No. To be consistent with the treatment requested for other systems, the provision for increased property taxes on 1990 and 1991 plant additions should be considered as a future pass-through consideration.

130. ISSUE: What are total test year operating expenses?

POSITIONS

UTILITY: As per the MFRs. (Sheahen)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 68

OPC: No position at this time.

COVA: No position at this time.

STAFF: Fall-out number.

CITRUS COUNTY (9 Water, 3 Wastewater)

131. ISSUE: What are test year revenues?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

COVA: Fall-out number.

STAFF: Fall-out number.

132. ISSUE: What is the appropriate amount of test year used and useful depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

COVA: Fall-out number.

STAFF: Fall-out number.

133. ISSUE: What is the proper level of CIAC amortization to be used as an offset to depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 69

COVA: No position at this time.

STAFF: Fall-out number.

134. ISSUE: Should the Utility's requested provision for taxes other than income be approved?

POSITIONS

UTILITY: Yes. (Nixon)

OPC: The requested provision for property taxes for the combined water systems exceeds the aggregate amount for the individual systems by \$3,000. This difference, unless otherwise explained, should be removed.

COVA: The requested provision for property taxes for the combined water systems exceeds the aggregate amount for the individual systems by \$3,000. This difference, unless otherwise explained, should be removed.

STAFF: The requested provision for property taxes for the combined water systems exceeds the aggregate amount for the individual systems by \$3,000. This difference, unless otherwise explained, should be removed.

135. ISSUE: What is the level of excess unaccounted for water?

POSITIONS

UTILITY: None. (Sweat)

OPC: No position at this time. (DeMeza)

COVA: No position at this time.

STAFF: No position, pending the review of discovery.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 70

136. ISSUE: Should an adjustment be made to Utility expenses for excessive amounts of unaccounted for water?

POSITIONS

UTILITY: No, there are no excessive amounts. (Sweat)

OPC: Yes. (DeMeza)

COVA: No position at this time.

STAFF: Adjustments should be made to chemicals and purchased power for any amounts of excess unaccounted for water.

137. ISSUE: What are total test year operating expenses?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: No position at this time.

COVA: No position at this time as to the actual value. Where projected rate base additions are disallowed, the O & M costs associated with such rate base projections should also be disallowed, as should unusual or nonrecurring expenses. (Hansen)

STAFF: Fall-out number.

138. ISSUE: What would the revenue requirement be for Sugarmill Woods if it were treated, as it has been historically, as a stand-alone system?

POSITIONS

UTILITY: \$705,973 for water and \$458,272 for wastewater. (Nixon)

OPC: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 71

COVA: No position at this time, awaiting discovery responses.

STAFF: No position at this time.

COLLIER COUNTY (2 Water, 2 Wastewater)

139. ISSUE: If Marco Island and Marco Shores systems are combined for rate setting purposes, what intercompany elimination adjustments are appropriate?

POSITIONS

UTILITY: The revenues to Marco Island and expenses to Marco Shores should be eliminated. The revenues of \$20,656 were eliminated but the expenses were not, and should be. (Russell)

OPC: Revenues and expenses related to Sales for Resale should be removed.

COVA: No position at this time.

STAFF: Revenues and expenses related to Sales for Resale should be removed.

140. ISSUE: What are test year revenues?

POSITIONS

UTILITY: Fall-out numbers, based upon corrected workpapers. (Russell)

OPC: Fall-out number.

COVA: Fall-out number.

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 72

141. ISSUE: Is the Utility's proposed adjustment for increased operation and maintenance expenses in 1991 reasonable?

POSITIONS

UTILITY: This proposed adjustment should be revised such that the growth projection is consistent with projection methodology used for other counties in this case. (Russell)

OPC: The proposed provision for increased administrative expenses based on customer growth appears inappropriate and should be removed. The proposed provision for increased payroll costs based on customer growth should be reviewed further.

COVA: No position at this time.

STAFF: The proposed provision for increased administrative expenses based on customer growth appears inappropriate and should be removed. The proposed provision for increased payroll costs based on customer growth should be reviewed further.

142. ISSUE: Does the Utility's budget for 1990 misstate the allocation of direct labor costs in Collier County between Marco Island and Marco Shores?

POSITIONS

UTILITY: No objection to Staff's reallocation if total revenue requirements is unaffected. (Russell)

OPC: Staff.

COVA: No position at this time.

STAFF: A comparison of pages 168.6 and 168.5 suggests that payroll expense is overstated for Marco Island or that some portion should be allocated to Marco Shores. Further review is needed.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 73

143. ISSUE: Should the Utility's requested provision for a \$888,494 allowance for increased operating and maintenance expenses related to operation of the reverse osmosis plant be approved?

POSITIONS

UTILITY: Yes. (Terrero)

OPC: No. (Larkin, Smith)

COVA: No position at this time.

STAFF: At present, the cost components for this adjustment are unspecified. Further review of this adjustment is needed.

144. ISSUE: What is the level of excess unaccounted for water?

POSITIONS

UTILITY: There is no excess unaccounted for water and no adjustment should be made. (Sweat)

OPC: No position at this time. (DeMeza)

COVA: No position at this time.

STAFF: No position, pending review of discovery.

145. ISSUE: Should adjustments be made to the Utility's expenses for excessive unaccounted for water?

POSITIONS

UTILITY: No. (Sweat)

OPC: No position at this time. (DeMeza)

COVA: No position at this time.

STAFF: Adjustments should be made to chemicals and purchased power for any excessive amounts of unaccounted for water.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 74

146. ISSUE: What is the appropriate amount of test year used and useful depreciation expense?

POSITIONS

UTILITY: As indicated in the corrected workpapers. (Russell)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Provisions for depreciation expense per the current MFRs reflect inaccurate amounts due to errors in the original filing. Mr. Russell has prepared revised depreciation expense schedules which should be introduced in the record for proper calculation of the revenue requirements.

147. ISSUE: What is the proper level of CIAC amortization to be used as an offset to depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Russell)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

148. ISSUE: Should the requested provision for taxes other than income be approved?

POSITIONS

UTILITY: Yes. As indicated in the corrected workpapers. (Russell)

OPC: Staff.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 75

COVA: No position at this time.

STAFF: The provision for regulatory assessment fees should be adjusted to conform with the allowed revenues. The provision for payroll taxes should conform with allowed payroll expense. The reported provision for 1989 property taxes is overstated. To be consistent with the treatment requested for other systems, the provision for increased property taxes should be more properly considered as a future pass-through consideration.

149. ISSUE: What are total test year operating expenses?

POSITIONS

UTILITY: Fall-out numbers, based upon corrected workpapers. (Russell)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

MARION COUNTY/SOUTHERN STATES (3 Water, 3 Wastewater)

150. ISSUE: What are test year revenues?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 76

151. ISSUE: What is the level of excess unaccounted for water?

POSITIONS

UTILITY: There is no excess unaccounted for water and no adjustment should be made. (Sweat)

OPC: No position at this time. (DeMeza)

COVA: No position at this time.

STAFF: Salt Springs has excessive unaccounted for water of 1.9 percent.

152. ISSUE: Should adjustments be made to chemicals and purchased power for excessive unaccounted for water?

POSITIONS

UTILITY: No. (Sweat)

OPC: No position at this time.

COVA: No position at this time.

STAFF: Yes. Adjustments should be made for excess unaccounted for water.

153. ISSUE: What is the level of infiltration for the wastewater system?

POSITIONS

UTILITY: There is no excess. (Hartman)

OPC: No. position at this time. (DeMeza)

COVA: No position at this time.

STAFF: The Salt Springs system experienced a greater average of infiltration for 1988 than it did for 1989.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 77

154. ISSUE: Should any adjustments be made to the Utility's expenses for excessive infiltration?

POSITIONS

UTILITY: No. (Hartman)

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position, pending further review of materials.

155. ISSUE: What is the appropriate amount of test year used and useful depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

156. ISSUE: What is the proper level of CIAC amortization to be used as an offset to depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

157. ISSUE: Should the utility's requested provision for taxes other than income be approved?

POSITIONS

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 78

UTILITY: Yes. (Nixon)

OPC: No position at this time.

COVA: No position at this time.

STAFF: Further review of the provision for property taxes is required.

158. ISSUE: What are total test year operating expenses?

POSITIONS

UTILITY: As per the MFRs. (Nixon)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

MARION COUNTY/UNITED FLORIDA (1 Water, 1 Wastewater)

159. ISSUE: What are test year revenues?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

160. ISSUE: Is an adjustment necessary to reflect the proper amount of test year purchased power expense?

POSITIONS

UTILITY: No. (Seidman)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 79

OPC: Pending further review, an adjustment may be necessary to purchased power based on the gallonage escalation factor used which may have been overstated.

COVA: No position at this time.

STAFF: Pending further review, an adjustment may be necessary to purchased power based on the gallonage escalation factor used which may have been overstated.

161. ISSUE: Should test year payroll expense be adjusted?

POSITIONS

UTILITY: No. (Seidman)

OPC: Yes. (Walker)

COVA: No position at this time.

STAFF: Test year direct labor per the MFRs is higher than the amount budgeted and payroll expense was overstated by inclusion of a laborer position that was removed from the budget.

162. ISSUE: What is the appropriate amount of test year used and useful depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: The utility has overstated the amount of depreciation expense shown on the net operating income statement which does not agree with supporting schedules (Volume VI, p. 74 and 75). Further adjustments result as fall-outs from other issues. (Walker)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 80

COVA: No position at this time.

STAFF: The utility has overstated the amount of depreciation expense shown on the net operating income statement which does not agree with supporting schedules (Volume VI, p. 74 and 75). Further adjustments result as fall-outs from other issues.

163. ISSUE: What is the proper level of CIAC amortization to be used as an offset to depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

164. ISSUE: Should the utility's requested provision for taxes other than income be approved?

POSITIONS

UTILITY: Yes. (Seidman)

OPC: No. The increase in property taxes for the test year plant additions should be recovered in the year the increase occurs through the pass-through provisions of the statute. Another adjustment is necessary to correct the 1989 level of property taxes used as a basis for projecting the test year expense. Water and wastewater real estate and personal property taxes for 1989 should be reduced by \$5,785 and \$2,079, respectively. (Larkin)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 81

COVA: No position at this time.

STAFF: No. The increase in property taxes for the test year plant additions should be recovered in the year the increase occurs through the pass-through provisions of the statute. Another adjustment is necessary to correct the 1989 level of property taxes used as a basis for projecting the test year expense. Water and wastewater real estate and personal property taxes for 1989 should be reduced by \$5,785 and \$2,079, respectively.

165. ISSUE: What are total test year operating expenses?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

MARTIN COUNTY (3 Water, 3 Wastewater)

166. ISSUE: What are test year revenues?

POSITIONS

UTILITY: Per MFRs. However, if agreement can be reached on adjustments, they will be fall-out numbers. (Lewis)

OPC: This is a fall out number.

COVA: No position at this time.

STAFF: Fall-out number.

167. ISSUE: What are the levels of excess infiltration for the wastewater systems?

POSITIONS

UTILITY: None. (Hartman)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 82

OPC: Six percent for the Leilani Heights system.
Thirteen percent for the Fox Run system. No position
at this time. (DeMeza, Crouch)

COVA: No position at this time.

STAFF: Six percent for the Leilani Heights system.
Thirteen percent for the Fox Run system.

168. ISSUE: Should any adjustments be made to expenses for
excessive infiltration?

POSITIONS

UTILITY: No. (Hartman)

OPC: Yes. (DeMeza)

COVA: No position at this time.

STAFF: Yes.

169. ISSUE: What is the appropriate amount of test year used
and useful depreciation expense?

POSITIONS

UTILITY: Per MFRs. However, if agreement can be reached on
adjustments, they will be fall-out numbers. (Lewis)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

170. ISSUE: What is the proper level of CIAC amortization to be
used as an offset to depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Lewis)

OPC: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 83

COVA: No position at this time.

STAFF: Fall-out number.

171. ISSUE: Should the utility's requested provision for taxes other than income be approved?

POSITIONS

UTILITY: As per the MFRs. (Lewis)

OPC: No. To be consistent with the treatment requested for other systems, the provision for increased property taxes on 1990 and 1991 plant additions should be considered as a future pass-through consideration.

COVA: No position at this time.

STAFF: No. To be consistent with the treatment requested for other systems, the provision for increased property taxes on 1990 and 1991 plant additions should be considered as a future pass-through consideration.

172. ISSUE: What are total test year operating expenses?

POSITIONS

UTILITY: Per MFRs. However, if agreement can be reached on adjustments, they will be fall-out numbers. (Lewis)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

WASHINGTON COUNTY (1 Water, 1 Wastewater)

173. ISSUE: What are test year revenues?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 84

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

174. ISSUE: What is the level of excess unaccounted for water?

POSITIONS

UTILITY: None. (Sweat)

OPC: The level of excess unaccounted for water is 15.4 percent. (Crouch)

COVA: No position at this time.

STAFF: The level of excess unaccounted for water is 15.4 percent.

175. ISSUE: Should adjustments be made to expenses for any excessive amounts of unaccounted for water?

POSITIONS

UTILITY: No. (Sweat)

OPC: Yes. (Crouch)

COVA: No position at this time.

STAFF: Yes.

176. ISSUE: Is the amount of allocated administrative costs fairly representative of a utility the size of the Sunny Hills system?

POSITIONS

UTILITY: Yes. The allocation to Sunny Hills is consistent with the allocation to all of the systems operated by the Utility. (Ludsen)

OPC: No. (Walker)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 85

COVA: No position at this time.

STAFF: No. An adjustment is necessary to reflect a more representative allocation methodology and/or amount.

177. ISSUE: Is the provision for maintenance expense overstated due to misclassification of a 1989 charge to Account 620.200?

POSITIONS

UTILITY: Agree with Staff. A misclassification of \$1,989 in the 1989 expenses results in a \$2,156 (\$1,989 escalated by 4.12 percent per year for 2 years) overstatement for the 1991 test year. (Seidman)

OPC: Yes. (Walker)

COVA: No position at this time.

STAFF: Yes. The misclassification of a 1989 payment caused a \$2,156 overstatement of maintenance expenses.

178. ISSUE: What is the appropriate amount of test year used and useful depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Unless otherwise explained, the test year depreciation expense should be reduced to agree with the depreciation support schedules.

COVA: No position at this time.

STAFF: Unless otherwise explained, the test year depreciation expense should be reduced to agree with the depreciation support schedules.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 86

179. ISSUE: What is the proper level of CIAC amortization to be used as an offset to depreciation expense?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

180. ISSUE: Should the utility's requested provision for taxes other than income be approved?

POSITIONS

UTILITY: Yes. (Seidman)

OPC: This is a fall-out issue.

COVA: No position at this time.

STAFF: This is a fall-out issue.

181. ISSUE: What are total test year operating expenses?

POSITIONS

UTILITY: As per the MFRs. (Seidman)

OPC: Fall-out number.

COVA: No position at this time.

STAFF: Fall-out number.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 87

CONSOLIDATION

182. ISSUE: What criteria should be used to combine or separate the systems for rate-making purposes?

POSITIONS

UTILITY: As per petition and addendum to MFRs. (Lewis, Ludsen)

OPC: No position at this time.

COVA: COVA generally agrees with the nonexhaustive list of criteria suggested by Staff's position, including rate base per ERC, O & M per ERC, system age, and CIAC considerations. Additionally, unique usage characteristics, unique restrictive covenants that affect water usage and wastewater demand, and unique historical relationships between the developer, the Utility, and the customers, especially regarding **prepaid** CIAC, should also be considered. Applying these criteria, it is clear that Sugarmill Woods is unique and should not be combined or consolidated with any other system or systems. (Hansen)

STAFF: At a minimum, treatment type, the criteria of rate base per ERC, O & M per ERC, age of the system, and CIAC level of the system should be considered.

183. ISSUE: What utility systems, if any, should be combined in this proceeding?

POSITIONS

UTILITY: As requested in the Utility's petition. (Ludsen)

OPC: No position at this time.

COVA: The Sugarmill Woods systems should not be combined or consolidated with any other system or systems. (Hansen)

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 88

REVENUE REQUIREMENT

184. ISSUE: Based on the previous issues, what are the appropriate revenue requirements for water and wastewater?

POSITIONS

UTILITY: If cross-county uniform rates are approved:

	<u>Water</u>	<u>Wastewater</u>
Charlotte/Lee	\$ 209,756	\$ 226,008
Citrus	1,555,928	1,020,832
Collier *	8,076,311	5,156,436
Marion/Southern	134,678	228,783
Marion/United	464,472	524,598
Washington	120,893	78,898

If county-wide uniform rates are approved:

	<u>Water</u>	<u>Wastewater</u>
Charlotte/Lee	\$ 422,123	\$ 215,289
Citrus	952,826	546,534
Collier *	7,857,760	5,163,342
Marion/Southern	152,362	420,868
Marion/United	949,299	729,480
Washington	267,229	192,256

* - includes new plant. (Lewis, Ludsen, Nixon, Seidman, Sheahen, Russell)

OPC: The MFRs have not been met; the increase is, therefore, not justified. (Larkin, Smith, Willis, Crouch)

COVA: No position at this time.

STAFF: Revenue requirements should be calculated for either all of the individual systems or those that are determined as appropriate to combine. The actual numbers are fall-outs of all previous issues.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 89

185. ISSUE: What would the revenue requirement be for Sugarmill Woods if it were treated, as it has been historically, on a stand-alone basis?

POSITIONS

- UTILITY: \$705,973 for water and \$458,272 for wastewater. (Nixon)
- OPC: No position at this time.
- COVA: No position at this time, pending receipt of discovery responses.
- STAFF: Fall-out number.

ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI)

COMMON TO ALL SYSTEMS

186. ISSUE: What are the appropriate AFPI charges which should be approved?

POSITIONS

- UTILITY: As per the MFRs. (Lewis)
- OPC: AFPI is appropriate only if a margin reserve is not approved. (Larkin)
- COVA: No position at this time.
- STAFF: Fall-out numbers.

MARION COUNTY/UNITED FLORIDA

187. ISSUE: Should an adjustment be made to properly reflect non-used and useful land for the AFPI calculation?

POSITIONS

- UTILITY: Agree with Staff's adjustment. (Seidman)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 90

OPC: Yes. \$82,900 of land recorded in the water division should properly be reflected in the wastewater system as it relates to property reserved for effluent disposal.

COVA: No position at this time.

STAFF: Yes. \$82,900 of land recorded in the water division should properly be reflected in the wastewater system as it relates to property reserved for effluent disposal.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

188. ISSUE: Has the Utility properly recorded AFUDC?

POSITIONS

UTILITY: No. (Ausman)

OPC: No. For Deltona Utilities, Inc., the Utility has overstated AFUDC. (Larkin)

COVA: No position at this time.

STAFF: No position at this time.

189. ISSUE: What are the appropriate AFUDC percentages to be allowed?

POSITIONS

UTILITY: Marion Oaks' last approved AFUDC rate, as approved by Order No. 19623, in Docket No. 880560-WS. (Seidman)

OPC: Based upon the recommended cost of capital, the AFUDC percentages should be calculated as required by Rule 25-30.116, Florida Administrative Code.

COVA: No position at this time.

STAFF: Based upon the recommended cost of capital, the AFUDC percentages should be calculated as required by Rule 25-30.116, Florida Administrative Code.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 91

RATES AND CHARGES

190. ISSUE: Should the final rates for the various systems in this docket be on a stand alone or on a consolidated basis?

POSITIONS

UTILITY: Consolidated as per the Utility's petition. (Ludsen, Lewis)

OPC: No position at this time.

COVA: Insofar as such proposals relate to Sugarmill Woods, the Commission should approve neither county-wide nor cross-county rates. Sugarmill Woods is unique in several respects, including its history of capital (CIAC) contributions, relationships between the developer and the Utility, restrictive covenants that affect water usage for irrigation purposes, and the prospect for spray irrigation service to be supplied to golf courses in or adjacent to Sugarmill Woods. If county-wide or cross-county rates were implemented, Sugarmill Woods customers would be forced to subsidize other Utility customers. This is unfair and unjust and must be prevented. (Hansen)

STAFF: No position at this time.

191. ISSUE: What subsidies would result from implementation of the proposed county-wide or cross-county rates?

POSITIONS

UTILITY: Will provide response to Commissioner Gunter's spreadsheet as soon as possible.

OPC: No position at this time.

COVA: No position at this time, awaiting discovery responses.

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 92

192. ISSUE: Why did the Utility exclude the Citrus Springs and Pine Ridge utility systems from its computations and proposals for county-wide rates in Citrus County and cross-county rates?

POSITIONS

UTILITY: The systems with the highest revenue deficiencies were selected to be filed. The Utility did not believe that it could handle two additional utility filings which would have been required for Citrus Springs and Pine Ridge. Those are utilities under a different corporation (UFUC) and capital structure than SSU. (Ludsen)

OPC: It appears that the Utility used an economic threshold to determine which systems to file for.

COVA: No position at this time, awaiting discovery responses. (Hansen)

STAFF: No position at this time.

193. ISSUE: Is it reasonable for the Utility to exclude the Citrus Springs and Pine Ridge systems from its proposals for county-wide and cross-county rates?

POSITIONS

UTILITY: Yes. (Ludsen)

OPC: No position at this time.

COVA: No. The Citrus County systems not included in the Utility's current filing have rates substantially less than the rates that the Utility is requesting for the other systems in Citrus County. Even if these systems have lesser revenue deficiencies, which COVA does not acknowledge to be true, it is plainly unfair and inconsistent with the purpose of county-wide rates to exclude these systems. (Hansen)

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 93

194. ISSUE: Should the service availability charges be adjusted for the various systems on a stand alone or on a consolidated basis in order that they fall within the guidelines of Rule 25-30.580, Florida Administrative Code?

POSITIONS

UTILITY: If adjusted, do it on a consolidated bases. (Lewis)

OPC: No position at this time. Possible notice deficiency.

COVA: No position at this time.

STAFF: Depending upon the degree or lack of consolidation approved in this case, service availability charges may need to be adjusted.

195. ISSUE: Should the residential sewer gallonage cap be established separately by system, or uniformly on a consolidated basis? At what level should the gallonage cap be set?

POSITIONS

UTILITY: On a consolidated basis at the 10,000 gallon level. (Lewis)

OPC: No position at this time.

COVA: Separately, by system. For Sugarmill Woods, the appropriate residential wastewater gallonage cap is 6,000 gallons per customer per month. (Hansen)

STAFF: This is a fall-out issue which depends upon the level of consolidation approved in this proceeding.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 94

196. ISSUE: Should the Utility's proposals to increase the residential sewer gallonage cap for service rendered in Sugarmill Woods from 6,000 gallons per month to either 8,000 gallons per month under county-wide rates, or 10,000 gallons per month under cross-county rates, be approved?

POSITIONS

UTILITY: Yes. (Lewis)

OPC: No position at this time.

COVA: No. The available, empirical data indicate that typical wastewater flows for Sugarmill Woods customers are between 5,100 gallons and 5,700 gallons per month. The proposals are, therefore, unreasonable. (Hansen)

STAFF: No position at this time.

197. ISSUE: Are the growth factors used for the water and wastewater systems appropriate?

POSITIONS

UTILITY: Yes. (Lewis, Seidman, Russell, Nixon, and Sheahen)

OPC: No. (DeMeza)

COVA: No position at this time.

STAFF: No position, pending the review of discovery.

198. ISSUE: Should the customer billing cycle for water and wastewater systems be monthly or bi-monthly?

POSITIONS

UTILITY: Monthly. (Ludsen)

OPC: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 95

COVA: No position at this time.

STAFF: Monthly for all counties.

199. ISSUE: Should the water and wastewater billing analyses, as presented in the utility's MFRs, be adjusted?

POSITIONS

UTILITY: No. (Lewis)

OPC: No position at this time.

COVA: No position at this time.

STAFF: Yes, for Martin, Citrus, and possibly Marion Counties.

200. ISSUE: Should the Utility's request for increases in customer deposits be approved?

POSITIONS

UTILITY: Yes. (Ludsen)

OPC: No position at this time.

COVA: No position at this time.

STAFF: Yes.

201. ISSUE: Should a charge be established for golf course effluent at the Sugarmill Woods system?

POSITIONS

UTILITY: The Sugarmill Woods system does not currently reuse reclaimed water upon a golf course. However, it may be considered in the future, at which time a cost of service rate will be negotiated with the golf course. (Hartman)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 96

OPC: No position, however, OPC enthusiastically supports the Commissions effort to explore water conservation.

COVA: Yes, for the new proposed 18-hole golf course within the service range of the existing wastewater facility. Such a charge should be based upon the incremental cost of providing the spray effluent for golf course irrigation above the cost of alternate treatment and disposal.

STAFF: No position at this time.

202. ISSUE: Should a charge be established for effluent from the Point O'Woods Wastewater System which is used for spray irrigation?

POSITIONS

UTILITY: The Point O'Woods system does currently reuse reclaimed water upon a golf course, but since the reclaimed water flows are so low it is not the golf course's primary source of irrigation water. Therefore, this disposal site is primarily a benefit to the golf course, since it must receive the vast majority of its irrigation water from other sources. (Hartman)

OPC: No position, however, OPC enthusiastically supports the Commissions effort to explore water conservation.

COVA: No position at this time.

STAFF: No position at this time.

203. ISSUE: Should the base facility charge rate structure be implemented for all water and/or wastewater systems?

POSITIONS

UTILITY: Yes, Agree with Staff. (Lewis)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 97

OPC: No position.

COVA: No position.

STAFF: Yes.

204. ISSUE: Should a special bulk rate for water purchased by Pirate Harbor be approved?

POSITIONS

UTILITY: Yes. (Sheahen, Lewis)

OPC: No position at this time.

COVA: No position at this time.

STAFF: No position, pending the review of further materials.

205. ISSUE: Should a conservation rate structure be approved, and if so, what is the appropriate structure?

POSITIONS

UTILITY: No. (Ludsen)

OPC: OPC supports reasonable water conservation measures so long as they are applied in an equitable fashion to all customer classes.

COVA: No position at this time.

STAFF: No position at this time.

206. ISSUE: What are the appropriate water and wastewater rates?

POSITIONS

UTILITY: Fall-out numbers. (Lewis, Ludsen, Nixon, Seidman, Russell, Sheahen)

OPC: The rates should remain as they are.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 98

COVA: The water and wastewater rates for Sugarmill Woods should be established on a stand-alone basis, with (1) proper correction of used and useful percentages, (2) no allowance for margin reserve, (3) reinstatement of prepaid CIAC into the computation of rate base as was done in the 1985 rate case for the predecessor utility at Sugarmill Woods, (4) proper estimates of the number of ERCs, (5) retention of the 6,000 gallons per month cap on residential wastewater service, and (6) appropriate adjustments to correct for the Utility's unrealistic capital budget and O & M budget projections. (Hansen)

STAFF: No position at this time.

207. ISSUE: What are the appropriate rates for Sugarmill Woods if is treated, as it has been historically, on a stand-alone basis?

POSITIONS

UTILITY: Stand-alone monthly rates are as follows: (Nixon)

WATER

Residential and General Service

Base Facility Charge

Meter Size

5/8" x 3/4"	\$ 3.86
3/4"	5.79
1"	9.65
1 1/2"	19.30
2"	30.88
3"	61.76
4"	96.50
6"	193.00

**Gallage Charge,
per 1,000 gallons**

\$ 1.05

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 99

WASTEWATER

Residential Service

Base Facility Charge	
All meter sizes	\$ 7.93
Gallonge Charge,	
per 1,000 gallons,	
10,000 gallon cap	\$ 1.50

General Service

Base Facility Charge	
<u>Meter Size</u>	
5/8" x 3/4"	\$ 7.93
3/4"	11.90
1"	19.83
1 1/2"	39.65
2"	63.44
3"	126.88
4"	198.25
6"	396.50
Gallonge Charge,	
per 1,000 gallons	\$ 1.80

OPC: No position at this time.

COVA: No position at this time, awaiting discovery responses.

STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 100

208. ISSUE: If the Commission approves projected rate base amounts, including extraordinary costs for new wells and a new sewer plant, should the Commission also require amounts collected based on such items to be held subject to refund in the event that the expenditures are not made within the test year?

POSITIONS

UTILITY: No. (Ludsen)
OPC: Agree with COVA.
COVA: Yes. (Hansen)
STAFF: No position at this time.

POLICY ISSUES

209. ISSUE: Should the Commission consider proposed rates on some systems which are 200% to 300 % higher than others to be excessive and deserving of closer scrutiny in a separate investigation of these requested charges?

POSITIONS

UTILITY: No. (Ludsen)
OPC: These rate increases are excessive and should not be permitted. (Larkin, Smith)
COVA: These rate increases are excessive and should not be permitted.
STAFF: No position at this time.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 101

210. ISSUE: Should the Commission deny rate increases which are found to on their face to be excessive?

POSITIONS

UTILITY: There are none. (Lewis, Ludsen, Seidman, Russell, Nixon, Sheahen)

OPC: Yes: The Commission is charged, in Chapter 367, Florida Statutes, with ensuring that rates charged are reasonable. (Larkin, Smith)

COVA: Yes.

STAFF: No position at this time.

211. ISSUE: What penalty should the Commission impose on management if it finds that management has not controlled excessive costs in operating water and/or sewer systems?

POSITIONS

UTILITY: There are no excessive costs. (Ausman)

OPC: Reduction on return on equity. (Larkin)

COVA: Reduction on return on equity.

STAFF: No position at this time.

MISCELLANEOUS

212. ISSUE: Has the Utility utilized capacity set aside for fire flow to connect more customers and, if so, should an adjustment be made to used and useful plant?

POSITIONS

UTILITY: No. (Guastella, Hartman)

OPC: Yes. (DeMeza)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 102

COVA: If the testimony reveals that the Utility is selling fire flow, adjustments should be made to used and useful plant.

STAFF: If the testimony reveals that the Utility is selling fire flow, adjustments should be made to used and useful plant.

VI. Proposed Stipulations

Stipulations entered into by parties, including Commission staff, are subject to Commission approval. If record evidence is developed that refutes the stipulated issues(s), Commission staff will base its recommendation to the Commission upon the records.

At the prehearing conference, the Utility, OPC, COVA, and Staff agreed to the following stipulations:

1. The cost of common equity should be established using the leverage formula in effect at the time of the final decision in this case.
2. AFPI should be calculated using net plant, as opposed to gross plant, and should use the same overall cost of capital as approved by the Commission for final rates. Further, unless proven otherwise a five year time frame for prudent cost recovery of plant should be used.

Also at the prehearing conference, the Utility and Staff agreed to, and neither OPC nor COVA took any position on, the following stipulation:

3. Miscellaneous service charges should be established on a uniform, consolidated basis, in accordance with Staff Advisory Bulletin No. 13, 2nd revised.

VII. Rulings

1. The Utility's motion for leave to file second amended application was granted. The official filing date was amended to October 15, 1990, the day that the second amended application was filed.

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 103

2. The Utility's request for an extension of time to file rebuttal to COVA's direct testimony was granted. Such testimony is due no later than January 30, 1991.

3. The Utility's request for leave to file supplemental testimony on certain issues raised by the other parties and Staff was granted. Such testimony is due no later than February 1, 1991.

4. OPC's motion to dismiss for lack of sufficient information to consider system-specific rates was taken under advisement.

5. OPC's motion to determine sufficiency of responses to requests for admissions was taken under advisement.

6. Staff's motion for a five-day extension of time to prefile the direct testimony of five Department of Environmental Regulation witnesses was granted. The parties were also given an additional five days to prefile any rebuttal testimony to these witnesses.

7. The Utility was directed to submit spreadsheets for each of the systems involved in this filing, detailing the areas of possible cross-subsidization, no later than by February 6, 1991.

8. The Utility was also directed to submit actual rate case expense information through January, 1991, and projected rate case expense information through the completion of the hearing process, no later than February 7, 1991.

VIII. Exhibits

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Sheahen, Ausman, Gangnon, Hartman, and Sweat	Utility	MFR Vol. I	Financial, Rate and Vierima, Engineering Information- Charlotte/ Lee County
Nixon, Ausman, Gangnon, Hartman, Lewis, Sweat, and Vierima	Utility	MFR Vol. II	Financial, Rate and Engineering Information- Citrus County

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 104

<u>Witness(es)</u>	<u>Proffered By I.D. No.</u>		<u>Description</u>
Nixon, Ausman, Gangnon, Hartman, Lewis, Sweat, and Vierima	Utility	MFR Vol. III	Financial, Rate, and Engineering Information- Marion County (Southern States)
Lewis, Ausman, Gangnon, Hartman, Sweat and Vierima	Utility	MFR Vol. IV	Financial, Rate, and Engineering Information- Martin County
Russell, Ausman, Gangnon, Lewis, Sweat and Vierima	Utility	MFR Vol. V	Financial, Rate, and Engineering Information- Collier County
Seidman, Ausman, Gangnon, Lewis, Sweat and Vierima	Utility	MFR Vol. VI	Financial, Rate, and Engineering Information- Marion County (United Florida)
Seidman, Ausman, Gangnon, Hartman, Lewis, Sweat, and Vierima	Utility	MFR Vol. VII	Financial, Rate, and Engineering Information- Washington County
Lewis	Utility	MFR Vol. VIII	Billing Analyses for all counties
Sweat	Utility	MFR Vol. IX	Additional Engineering Information- Charlotte/Lee County

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 105

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Sweat	Utility	MFR Vol. X	Additional Engineering Information-Citrus County
Sweat	Utility	MFR Vol. XI	Additional Engineering Information-Marion County (Southern States)
Sweat	Utility	MFR Vol. XII	Additional Engineering Information-Martin County
Sweat	Utility	MFR Vol. XIII	Additional Engineering Information-Collier County
Sweat	Utility	MFR Vol. XIV	Additional Engineering Information-Marion County (United Florida)
Sweat	Utility	MFR Vol. XV	Additional Engineering Information-Washington County
Sweat	Utility	MFR Vol. XVI	Additional Engineering Information & Customer Complaints-Charlotte/Lee, Marion (Southern States) & Martin Counties

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 106

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Sweat	Utility	MFR Vol. XVII	Additional Engineering Information & Customer Complaints-Citrus County
Sweat	Utility	MFR Vol. XVIII	Additional Engineering Information & Customer Complaints-Collier County
Sweat	Utility	MFR Vol. XIX	Additional Engineering Information & Customer Complaints-Marion (United Florida) and Washington Counties
Lewis, Ausman	Utility	Addendum to MFR Vols. I-VII	
Ausman	Utility	RPA-1	Comparison of projected vs. actual O & M
Ausman	Utility	RPA-2	Indenture of mortgage and deed of trust
Deterding	Utility	FMD-1	Estimates of Rate Case Expenses by system (as per MFRs)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 107

<u>Witness(es)</u>	<u>Proffered By I.D. No.</u>		<u>Description</u>
Deterding	Utility	FMD-2	Billings from Consultants to date of filing Mr. Deterding's <u>d i r e c t</u> testimony (composite)
Deterding	Utility	FMD-3	Legal Fees and Expenses to date of filing Mr. Deterding's <u>d i r e c t</u> testimony
Deterding	Utility	FMD-4	Summary of projected rate case expense based on factored ERCs
Guastella	Utility	JFG-1	Marco Island Utilities and Marco Shores Used and Useful Analysis with Schedules A-Q (composite)
Hartman	Utility	GCH-1	Used and Useful Summary Charlotte/Lee County (Tables 1 through 4) (composite)
Hartman	Utility	GCH-2	Used and Useful Summary for Citrus County (Tables 1 through 6) (composite)

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 108

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hartman	Utility	GCH-3	Used and Useful Summary for Marion County (Southern States) (Tables 1 through 3) (composite)
Hartman	Utility	GCH-4	Used and Useful Summary for Marion County (United Florida) (Tables 1 through 4) (composite)
Hartman	Utility	GCH-5	Used and Useful Summary for Martin County (Tables 1 through 3) (composite)
Hartman	Utility	GCH-6	Used and Useful Summary for Washington County (Tables 1 through 4) (composite)
Hartman	Utility	GCH-7	Exhibit A to rebuttal - comparison of witness' used and useful analysis to OPC's

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 109

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hartman	Utility	GCH-8	Checklist for conducting infiltration/inflow analysis
Ludsen	Utility	FLL-2	Summary of Interim Revenues
Ludsen	Utility	FLL-3	Summary of Proposed Final Revenues
Ludsen	Utility	FLL-4	Corporate Structure
Ludsen	Utility	FLL-5	Customer Growth
Ludsen	Utility	FLL-6	System Location Map
Ludsen	Utility	FLL-7	Summary of Management Audit
Ludsen	Utility	FLL-8	Organizational Chart
Ludsen	Utility	FLL-9	Historical Revenues & Expenses
Ludsen	Utility	FLL-10	Order on Rate Setting Procedures
Ludsen	Utility	FLL-11	Summary of 1989 Annual Reports

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 110

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Ludsen	Utility	FLL-12	Summary of Residential Rates
Ludsen	Utility	FLL-13	Residential Billing Comparisons
Ludsen Uniform	Utility	FLL-14	Estimated Statewide Rates
Ludsen	Utility	FLL-15	Comparison of Allocation Factors
Ludsen	Utility	FLL-16	Orders and instructions re: MFRs (composite)
Nixon	Utility	RCN-1	Order No. 21627
Nixon	Utility	RCN-2	Order No. 23041
Nixon	Utility	RCN-3	First Page, instruction Page, and Schedule A-17 of Form PSC/WAS 17
Nixon	Utility	RCN-4	Order No. 21202
Phillips	Utility	BTP-1	Mission Statement
Russell	Utility	JDR-1	Professional Qualifications

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 111

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Russell Schedules	Utility	JDR-2	Rate and R e v e n u e (Schedules 1 through 10) (composite)
Sweat	Utility	CLS-1	System Maps
Sweat	Utility	CLS-2	Unaccounted for water g r a p h s (Attachment A)
Sweat	Utility	CLS-3	Consent Order 87-0945/Request for closure (Attachment B)
Sweat	Utility	CLS-4	Consent Order 8 7 - 1150/Request for closure (Attachment C)
Sweat	Utility	CLS-5	Consent Order 87-1150/ Confirmation of c l o s u r e (Attachment D)
Sweat	Utility	CLS-6	Attachment A to rebuttal testimony - list of 27 acquisitions requiring improvements
Terrero	Utility	RAT-1	Resume of Rafael A. Terrero

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 112

<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Terrero	Utility	RAT-2	1990 and 1991 Budgets
Terrero	Utility	RAT-3	Breakdown of 1990 - 1991 capital improvements program for
water			and wastewater
Terrero	Utility	RAT-4	Status of Capital Improvement Projects
Terrero	Utility	RAT-5	Map showing relative locations of improvements
Wood	Utility	CEW-1	Sample Capital Authorization Requisition form
Wood	Utility	CEW-2	Sample budget deviation report form
Wood	Utility	CEW-3	Comparison of budgeted to actual capital expenditures
Wood	Utility	CEW-4	Comparison of budgeted to actual capital expenditures
<u>Witness(es)</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>

ORDER NO. 24071
 DOCKET NO. 900329-WS
 PAGE 113

Wood	Utility	CEW-5	Comparison of budgeted to actual capital expenditures
Larkin	OPC	HL-1	Qualifications
Larkin	OPC	HL-2	Statement of OPC's position regarding acquisition adjustments
Larkin	OPC	HL-3	
Smith	OPC	RCS-1	Qualifications
Smith	OPC	RCS-2	
Hansen	COVA	BLH-1	Sugarmill Woods ERC potential
Perez	Staff	FJP-1	Consent Order
Reining	Staff	RRR-1	Letter to Utility regarding deficiencies in application
Shafer	Staff	GLS-1	Illustration of regression analysis method of determining margin reserve (composite)

Parties and Staff reserve the right to identify exhibits for the purpose of cross-examination. Staff also intends to ask the Commission to take administrative notice of its Orders Nos. 23573, 23858, 11891, 21054, and 23511, regarding the exclusion of

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 114

nonregulated investment, and Order No. 21415 regarding the imputation of CIAC on margin reserve.

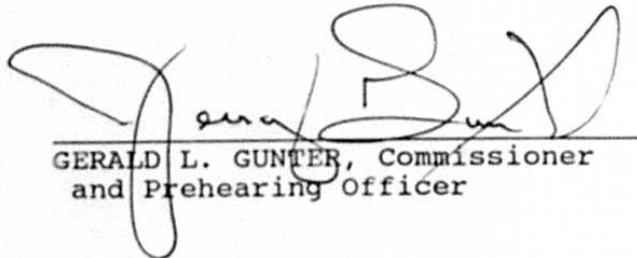
IX. Pending Matters

There are currently pending a Staff motion to quash subpoenas and an OPC motion to dismiss, with an accompanying motion for expedited hearing.

Based upon the foregoing, it is

ORDERED by Commissioner Gerald L. Gunter, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings unless modified by the Commission.

By ORDER of Commissioner Gerald L. Gunter, as Prehearing Officer, this 6th day of FEBRUARY, 1991.


GERALD L. GUNTER, Commissioner
and Prehearing Officer

(S E A L)

RJP

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)

ORDER NO. 24071
DOCKET NO. 900329-WS
PAGE 115

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 sewer 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.