

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a)
rate increase in Brevard)
County by GENERAL DEVELOPMENT)
UTILITIES, INC. (Port Malabar)
Division))
_____)

DOCKET NO. 911030-WS

In re: Application for a)
rate increase by GENERAL)
DEVELOPMENT UTILITIES, INC.)
in Charlotte, DeSoto and)
Sarasota Counties)
_____)

DOCKET NO. 911067-WS
ORDER NO. PSC-92-0372-PHO-WS
ISSUED: 05-19-92

Pursuant to notice, a prehearing conference was held on May 6, 1992, before Commissioner Susan F. Clark, as Prehearing Officer, in Tallahassee, Florida.

APPEARANCES: RICHARD MELSON, Esquire, and CHERYL STUART, Esquire, Hopping, Boyd, Green & Sams, Post Office Box 6526, Tallahassee, Florida 32314
On behalf of General Development Utilities, Inc.

GORDON H. HARRIS, Esquire, CHARLES SELL, Esquire, TOM CLOUD, Esquire, Gray, Harris & Robinson, P.A., Post Office Box 3068, Orlando, Florida 32802-3068
On behalf of the Cities of Port Malabar and North Port, Florida

STEPHEN C. REILLY, Esquire, Office of Public Counsel, Auditor General Building, Room 810, 111 West Madison Street, Tallahassee, Florida 32399-1400
On behalf of Citizens

CATHERINE BEDELL, Esquire, LILA JABER, Esquire, KAREN ASHER-COHEN, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0863
On behalf of the Commission Staff

PRENTICE PRUITT, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0862
Counsel to the Commission

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PREHEARING ORDER

I. Case Background

General Development Utilities, Inc. (GDU or the utility) is a wholly owned subsidiary of General Development Corporation (GDC). GDU operates five divisions which are regulated by the Florida Public Service Commission in Florida. The two divisions involved in this rate proceeding are the West Coast Division and the Port Malabar Division. The West Coast Division is a Class A utility operating with a certificate to serve in Charlotte and Sarasota Counties. As of December 31, 1990, the West Coast Division served 6,605 water customers and 5,397 wastewater customers. The West Coast Division water system had actual operating revenues of \$1,494,774 and a net operating income of \$237,582 for the twelve months ended December 31, 1990. The West Coast Division wastewater system had actual operating revenues of \$1,397,949 and a net operating income of \$189,652, for the same period.

This Commission has not previously considered West Coast Division's rates within a full rate case nor has a rate of return on equity been set by this Commission. However, the Charlotte County utility regulatory authority set rates for the Charlotte County system in 1985. This Commission acquired jurisdiction over this utility on October 1, 1989, by operation of Section 367.171(7), Florida Statutes. By Order No. 22783, issued April 9, 1990, this Commission granted the utility the West Coast Division's water and wastewater certificates.

The Port Malabar Division is a Class A utility located in Brevard County. As of December 31, 1990, the utility had 13,681 water customers and 5,963 wastewater customers. The Port Malabar system had actual operating revenues of \$3,902,810, with net operating income of \$1,185,319 for the twelve months ended December 31, 1990. The Port Malabar wastewater system had actual operating revenues of \$1,822,638, with net operating income of \$296,836, for the same period. The Port Malabar Division's present rates were established by Order No. 10672, issued March 25, 1982.

On January 3, 1992, the utility filed its application for a rate increase. The minimum filing requirements (MFRs) were deficient. On January 16, 1992, the utility submitted additional data and upon review, this date was established as the official filing date. The test year, for final rate determination, is the projected twelve-month period ended December 31, 1991. The interim test period is the twelve-month period ended December 31, 1990.

For the West Coast Division, GDU requested interim water rates designed to generate annual revenues of \$1,940,138. These revenues exceed test year revenues by \$165,007 for an increase of 9.29 percent. The utility requested interim wastewater rates for the West Coast Division designed to generate annual revenues of \$2,863,349. These requested revenues exceed test year revenues by \$1,465,400, for an increase of 104.82 percent.

For the West Coast Division the utility requested final water rates designed to generate annual revenues of \$2,356,236, which exceed test year revenues by \$930,778 for a 65.29 percent increase. The utility requested final wastewater rates for the West Coast Division designed to generate annual revenues of \$2,996,065, which exceed test year revenues by \$1,608,894 for a 115.98 percent increase. The utility stated that the final rates requested would be sufficient to recover a 10 percent rate of return on rate base.

For the Port Malabar Division GDU requested interim water rates designed to generate annual revenues of \$5,046,658. These revenues exceed test year revenues by \$1,143,848, or an increase of 29.31 percent. The utility has requested interim wastewater rates for the Port Malabar Division designed to generate annual revenues of \$3,153,927. These requested revenues exceed test year revenues of \$1,331,289, for an increase of 73.04 percent.

For the Port Malabar Division, GDU requested final water rates designed to generate annual revenues of \$5,854,672, which exceed test year revenues by \$1,939,557, or an increase of 49.54 percent. The utility requested final wastewater rates for the Port Malabar Division designed to generate annual revenues of \$3,558,165, which exceed test year revenues by \$1,763,021, or an increase of 98.21 percent. The utility stated that the final rates requested for the Port Malabar Division will be sufficient to recover a 11.00 percent rate of return on rate base.

On January 31, 1992, the Commission issued Order No. 25666 granting the intervention of the Cities of Port Malabar and North Port. On February 24, 1992, the Commission issued Order No. 25792 acknowledging the intervention of the Office of Public Counsel.

By Order No. 25684, issued February 4, 1992, rate case applications for the West Coast Division (Docket No. 911067-WS) and the Port Malabar Division (Docket No. 911030-WS) were consolidated for purposes of hearing.

By Order No. PSC-92-0095-FOF-WS, issued on March 24, 1992, the Commission suspended the requested rates and schedules.

By Orders Nos. PSC-92-0-186-FOF-WS and PSC-92-0187-FOF-WS, issued April 13, 1992, the Commission granted interim rates.

A prehearing conference was held on May 6, 1992, in Tallahassee, Florida. The dates previously set for final hearing have been cancelled until after July 5, 1992, to allow time for the Cities' to finalize purchase of the systems. If the purchase of the systems is not finalized by July 5, 1992, a new hearing date will be set as soon as practicable thereafter.

II. Confidentiality

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

It is the policy of the Florida Public Service Commission that all Commission hearings shall be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 367.156, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding. Any party wishing to use any proprietary confidential business information, as that term is defined in Section 367.156, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute. Failure of any party to comply with the seven day requirement described above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.

When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the

contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material. Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so. At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

III. Prefiled Testimony and Exhibits

Testimony of all witnesses to be sponsored by the Cities, OPC, GDU and the Staff of this Commission (Staff) has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

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

IV. Order of Witnesses

<u>Witness</u>	<u>Appearing for</u>	<u>Issues #</u>
<u>Direct</u>		
Charles E. Fancher, Jr.	GDU	16-20, 28, 55, 63

<u>Witness</u>	<u>Appearing for</u>	<u>Issues #</u>
<u>Direct</u>		
Deborah D. Swain	GDU	3, 13, 16, 19, 21, 22, 24-26, 35-41, 44-49, 53, 54, 61, 62, 64, 65, 67-72
Thomas L. Elliott, III	GDU	23, 27, 28, 30-34, 50-52, 72
John F. Guastella	GDU	4-12, 14, 15, 22, 35, 42, 43, 56-60, 67
Buddy Betschart	GDU	2, 45, 46
Mervin E. Maurer	GDU	2
Gerald C. Hartman	Cities	1, 2, 4-12, 17, 18, 20- 22, 24, 26, 42, 43, 53- 57, 59, 61, 62, 65, 69
Michael E. Barrett	Cities	13, 17-21, 23, 24, 26, 27, 29, 30, 32, 34, 35, 48, 50, 51, 53-58, 61-65, 69, 71, 72
Antone A. Reeves, III	Cities	1, 3, 38, 41, 44, 45, 53- 59, 61, 62, 64-66, 69, 70
James H. Demming, Jr.	Cities	2
Cynthia Brock Mick	Cities	2
Hugh Larkin, Jr.	OPC	28, 33, 48
Kathy L. Welch	Staff	3, 38, 40, 44, 46
Iliana H. Piedra	Staff	3, 38-40
Robert F. Bolesta	Staff	2
Craig McArthur	Staff	2
Jim Afghani	Staff	2
Peter F. Dentice	Staff	2
Kenneth Wall	Staff	2

<u>Witness</u>	<u>Appearing for</u>	<u>Issues #</u>
<u>Rebuttal</u>		
Charles E. Fancher, Jr.	GDU	2, 16-20, 28, 33, 41, 63
Deborah D. Swain	GDU	3, 13, 15, 16, 18-21, 24, 25, 35, 36, 440, 41, 45, 46, 65, 67, 69, 72
Thomas L. Elliott, III	GDU	23, 27, 28, 30-34, 50-52, 72
John F. Guastella	GDU	4-12, 14, 15, 22, 35, 42, 43, 56-60, 67
Buddy Betschart	GDU	2
Mervin E. Maurer	GDU	2

V. Basic Positions

GDU: GDU is entitled to rates that will allow it the opportunity to earn a fair rate of return on property used and useful in the public service. The overall annual revenues from monthly service required to provide this opportunity are \$5,854,672 for water and \$3,558,165 for wastewater for the Port Malabar Division and \$2,356,236 for water and \$2,996,065 for wastewater for the West Coast Division, before taking into account the effect of any stipulations made at the prehearing conference. In addition, GDU is entitled to the establishment or adjustment of an allowance for funds prudently invested (AFPI) charge to help recover its costs of carrying prudent investments in plant that are not recovered through current charges.

CITIES: The PSC has no jurisdiction over the West Coast facilities. GDU is not entitled to the interim and general rate increases that it has requested, and the rates requested are not necessary in order to have a fair rate of return on its investment in property used and useful in the public service. GDU is not appropriately treating certain items in the determination of revenue requirements including, but not limited to GDU's accounting and rate treatment for transactions related to the installment land sales contract escrow account; contributions-in-aid-of-construction should be imputed for those additions where GDC committed to a fixed connection charge; the capital structure should be imputed

using an average capital structure; the cost of debt should be the imputed cost of the industrial revenue bonds that were redeemed because of GDC's bankruptcy; the effluent rate should be based on a fully allocated cost to serve; the sales volumes used for rate design purposes should be based on three year average per customer data; adjustments should be made to rate base to account for the effect of franchise taxes collected but not remitted. In addition, the PSC should make adjustments for reducing the used and useful percentages, taking into account excessive inflow/infiltration; the combining of water supply and water treatment, as well as wastewater treatment and effluent disposal capacity into commingled groups; the utilization of fire flows; consideration of distribution and collection plant, purchase water agreements and allocation of customers.

OPC: GDU's request for rate increases for its Port Malabar and West Coast Divisions is excessive and unjustified. GDU has overstated its rate base, operation and maintenance expenses and has utilized an improper capital structure.

All of the parties to this proceeding agree that the effects of the bankruptcy of GDC, the utility's parent, should be removed when attempting to arrive at a fair revenue requirement. However; the parties do not agree on how to best accomplish this. The Citizens believe that GDU's accounts receivable from GDC should be deducted from GDC's equity investment in GDU. The money flowing from GDU to GDC, which accumulated in this account receivable, was in substance a return of equity capital to GDC.

Had GDC not become bankrupt, GDU would still have the low-cost Industrial Development Revenue Bond (IDRB) financing. Ratepayers should not be required to pay a substantially higher cost of debt capital caused by GDC's bankruptcy. For ratemaking purposes the costs of the IDRB financing should be substituted for the higher cost replacement financing.

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.

VI. Issues and Positions

LEGAL ISSUES

ISSUE 1: Whether the PSC has jurisdiction over the West Coast water and wastewater utility systems?

POSITIONS

GDU: Yes. This matter will be briefed in GDU's response to the Cities' motion to dismiss for lack of jurisdiction.

OPC: There is a considerable question as to whether the PSC has jurisdiction over the West Coast water and wastewater facilities.

CITIES: The PSC has no jurisdiction over the West Coast water and wastewater system because the West Coast Division only serves retail customers in one county -- Sarasota County. Sarasota County is not regulated by the PSC. The PSC has no jurisdiction over the rates within the GDU/Sarasota County system.

STAFF: This is a legal issue which should be briefed by the parties.

QUALITY OF SERVICE

ISSUE 2: Is the quality of service satisfactory?

POSITIONS

GDU: Yes.

OPC: This issue is dependent on customer testimony that will be presented at the formal hearing.

CITIES: Port Malabar is generally satisfactory but with problems in water quality and insufficient fire flow. The quality of service for the West Coast Division is not satisfactory because of problems with the water quality and insufficient fire flow. A final determination of this issue must also include consideration of customer testimony.

STAFF: Yes, at this time it appears to be satisfactory; however, a final determination of this issue must also include consideration of customer testimony.

RATE BASE

ISSUE 3: Should rate base be adjusted to reflect the actual 1991 balances, rather than the projected balances filed by the utility?

POSITIONS

GDU: Yes, with appropriate pro forma adjustments for known changes in 1992, as shown in Exhibits DDS-3 and DDS-4.

OPC: Yes. GDU used projected balances through December 31, 1991 for both systems. Actual figures are now available and should be used in this rate case. The adjustments to actual are as follows:

ADJUSTMENTS TO ACTUAL

PORT MALABAR	Water	Wastewater
Plant In Service	(\$226,401)	(\$958,135)
Accumulated Depr	61,064	57,278
Net Adj to R/B	(\$165,337)	(\$900,857)

WEST COAST	Water	Wastewater
Plant In Service	(\$89,021)	(\$40,947)
Accumulated Depr	58,915	(13,576)
Net Adj to R/B	(\$30,106)	(\$54,523)

CITIES: Agrees with Staff.

STAFF: Yes.

ISSUE 4: For used and useful purposes, should the design capacity be adjusted for plant use?

POSITIONS

GDU: Yes. For used and useful purposes, this capacity must be adjusted by an appropriate plant use factor.

OPC: Citizens are relying on used and useful calculations presented by the Cities' engineers on this case.

CITIES: Yes. The final dollar amount is subject to resolution of other issues.

STAFF: No.

ISSUE 5: Should a margin reserve be included in the used and useful evaluation?

POSITIONS

GDU: Yes. A margin reserve is necessary to adequately serve existing customers while providing for utility growth. It recognizes that the utility must be ready to provide service to additional customers, and that there is a lag time for construction of at least 18 months.

OPC: No. However, Citizens are relying on used and useful calculations presented by the Cities' engineers on this case.

CITIES: Yes.

STAFF: Yes.

ISSUE 6: What is the appropriate amount of margin reserve?

POSITIONS

MARGIN RESERVE

	PORT MALABAR WATER	PORT MALABAR WASTEWATER	WEST COAST WATER	WEST COAST WASTEWATER
GDU	12.7%	5.7%	3.5%	.1%
OPC	Adopt Cities'	Adopt Cities'	Adopt Cities'	Adopt Cities'
CITIES	12.7%	1.8%	3.5%	3.5%
STAFF	WTP - 12.7% WDS - 9.0%	WWTP - 5.7% WWCS - 4.2%	WTP - 3.2% WDS - 2.2%	WWTP - 0.1% WWCS - 0.1%

GDU: Margin reserve should be calculated as set forth in GDU's used and useful analyses. For Port Malabar, the appropriate amount of margin reserve is 12.7 percent water and 5.7 percent wastewater. For West Coast, the

appropriate amount of margin reserve is 3.5 percent for water and .1 percent for wastewater. These are the amounts that correspond to 18 months of projected customer growth.

OPC: Citizens are relying on used and useful calculations presented by the Cities' engineers on this case.

CITIES: The margin reserve factor for the Port Malabar water system is 12.7 percent, and for the wastewater system it is 1.8 percent. For West Coast, an appropriate margin reserve factor is 3.5 percent for both water and wastewater.

STAFF: The margin reserve should be calculated using linear regression analysis. The appropriate amount of margin reserve for Port Malabar is as follows:

Water Treatment Plant	12.7%
Water Distribution System	9.0%
Wastewater Treatment Plant	5.7%
Wastewater Collection System	4.2%

For the West Coast Division the appropriate amount of margin reserve is as follows:

Water Treatment Plant	3.2%
Water Distribution System	2.2%
Wastewater Treatment Plant	0.8%
Wastewater Collection System	0.1%

The percentage for the treatment plants is based on 18 months; the distribution and collection systems is based on 12 months.

ISSUE 7: What is the appropriate used and useful percentage for the WTP and source of supply facilities?

POSITIONS

	PORT MALABAR WATER	WEST COAST WATER
GDU	WTP - 85.86% Source of Supply - 100%	WTP - 100%
OPC	Adopt Cities'	Adopt Cities'
CITIES	WTP and Source of Supply - 74.33%	WTP - 100% Source of Supply - 67.75%
STAFF	63%	94%

GDU: The appropriate used and useful percentages for the Port Malabar Division are as follows:

WATER
 Source of Supply 100.00%
 Treatment Plant 85.86%

The appropriate used and useful percentages for the West Coast Division are as follows:

WATER
 Water Treatment Plant 100.00%

OPC: Adopt Cities' position.

CITIES: For Port Malabar, the WTP and source of supply is 74.33 percent used and useful. This used and useful percentage is based on the used and useful percentages of the following components:

- a. 1991 Raw water supply used and useful = 97%
- b. 1991 Raw water transmission mains used and useful = 93.76%
- c. 1991 Water treatment equipment used and useful = 57.27%
- d. 1991 Finished water storage used and useful = 74.91%
- e. 1991 High service pumping equipment used and useful = 69.9%

For West Coast, the appropriate used and useful percentage of the WTP is 100 percent. The appropriate used and useful percentage of the source of supply is 67.75 percent.

STAFF: The appropriate used and useful percentages for the WTP and the source of supply facilities is 94 percent for the West Coast Division and 63 percent for Port Malabar.

ISSUE 8: What is the appropriate used and useful percentage for the water distribution and transmission system?

POSITIONS

	PORT MALABAR WATER	WEST COAST WATER
GDU	Transmission & Distribution Mains - 82.26%	Transmission & Distribution Mains - 82.95%
OPC	Adopts Cities'	Adopt Cities'
CITIES	82.29%	62.63%
STAFF	66%	48%

GDU: The appropriate used and useful percentages for the Port Malabar Division are as follows:

WATER

Transmission Mains & Distributions Mains 88.26%

The appropriate used and useful percentages for the West Coast Division are as follows:

WATER

Transmission Mains & Distributions Mains 82.95%

OPC: Adopts Cities' position.

CITIES: For Port Malabar the overall water system is 82.29 percent used and useful. This used and useful percentage is based on the used and useful percentages of the following components:

- a. 1991 Water transmission system used and useful = 83.21%
- b. 1991 Water distribution system used and useful = 76.89%

- c. 1991 Customer service lines and water meters used and useful = 100%

For West Coast, the appropriate used and useful percentage of the water distribution mains is 62.63 percent, and the appropriate overall used and useful percentage of the water system is 76.98 percent.

STAFF: The appropriate used and useful percentage for the water distribution and transmission system is 48 percent for the West Coast Division and 66 percent for Port Malabar.

ISSUE 9: What is the appropriate used and useful percentage for the wastewater treatment plant (WWTP) and effluent disposal facilities?

POSITIONS

	PORT MALABAR WASTEWATER	WEST COAST WASTEWATER
GDU	43.57%	66.46%
OPC	Adopt Cities'	Adopt Cities'
CITIES	32.46%	74.53%
STAFF	44%	66%

GDU: The appropriate used and useful percentages for the Port Malabar Division for the WWTP is 45.57 percent and for the West Coast Division it is 66.46 percent. The effluent disposal facility for both systems are 100 percent used and useful.

OPC: Adopts Cities' position.

CITIES: For Port Malabar, the WWTP effluent disposal facilities are 32.46 percent used and useful. This percentage is made up of the following component used and useful percentages:

- a. 1991 Wastewater treatment plant used and useful = 33.22%
- b. 1991 effluent disposal used and useful = 31.25%

For West Coast, the appropriate used and useful percentage of the WWTP is 74.53 percent and due to the extreme cost and design of the effluent disposal facilities, and assuming the golf course irrigation

system is 100 percent used and useful, the appropriate used and useful percentage of the effluent disposal facilities is 51.11 percent.

STAFF: The appropriate used and useful percentage for the WWTP and effluent disposal facilities is 66 percent for the West Coast Division and 44 percent for Port Malabar.

ISSUE 10: What is the appropriate used and useful percentage for the wastewater collection system?

POSITIONS

	PORT MALABAR WASTEWATER	WEST COAST WASTEWATER
GDU	100%	100%
OPC	Adopt Cities'	Adopt Cities'
CITIES	85.86%	93.34%
STAFF	100%	97%

GDU: The appropriate used and useful percentages for the Port Malabar Division are as follows:

WASTEWATER

Force Mains 100.00%
Collecting Mains 100.00%

The appropriate used and useful percentages for the West Coast Division are as follows:

WASTEWATER

Collecting Mains 100.00%

OPC: Adopts Cities' position.

CITIES: For Port Malabar, the new collection system is 85.86 percent used and useful. This percentage is made up of the following component used and useful percentages:

- a. 1991 Collection mains used and useful = 100%
- b. 1991 Force mains used and useful = 71%
- c. 1991 Lift stations used and useful = 80%

For West Coast, the appropriate used and useful percentage of the wastewater collection system is 93.34 percent.

STAFF: The appropriate used and useful percentage for the wastewater collection system is 97 percent for the West Coast Division and 100 percent for Port Malabar.

ISSUE 11: What is the appropriate amount of fire flow to be provided by the utility?

POSITIONS

GDU: The appropriate amount of fire flow to be provided by the Port Malabar Division is 3,000 gallons per minute (GPM) for 4 hours. For the West Coast Division it is 2,000 GPM for 2 hours.

OPC: Adopts Cities' position.

CITIES: Agrees with Staff on commercial fire flow of 3,000 GPM for 3 hours. For residential, the fire flow is 1,000 GPM for 2 hours. A fire flow based on ISO standards should be used in the determination of system demand for use in the used and useful calculation. A fire flow rate should not be used in calculating the WTP used and useful given that storage is adequate in both systems for fire flow conditions. For residential, the fire flow is 1,000 GPM per 2 hours.

STAFF: The appropriate amount of fire flow to be provided by the utility for the Port Malabar Division is 3,000 GPM for three hours. For West Coast Division the appropriate amount of fire flow is 2,000 GPM for two hours.

ISSUE 12: What adjustments are necessary regarding the Port Malabar Division Aquifer Storage and Recovery (ASR) Well?

POSITIONS

GDU: The ASR well has the same used and useful percentage as the rest of the Port Malabar source of supply (100 percent).

OPC: No position at this time.

CITIES: The ASR well is not a source of supply and should be added in its capacity to WTP for the purpose of calculating used and useful.

STAFF: The ASR Facility is not necessary for the operation of the Port Malabar water system.

ISSUE 13: What adjustments should be made to the West Coast Division's rate base for a sprinkler system serving a golf course (GDU work order #1578)?

POSITIONS

GDU: No adjustment is appropriate. This work order relates to a sprinkler system in the out-of-play area which was added by GDU to provide additional disposal capacity, and which is of no benefit to the golf course owner.

OPC: Remove \$99,367 and \$11,868 from Plant-in-Service and Accumulated Depreciation respectively.

CITIES: GDU has included in West Coast Plant-in-Service a golf course sprinkler system project for a golf course owned by GDC (work order No. 1578). This sprinkler system is beyond the point of delivery, and which should be the responsibility of GDC, not ratepayers. The cost of this project, net of accumulated depreciation, should be removed from rate base. Remove \$99,367 and \$13,524 from Plant-in-Service and Accumulated Depreciation respectively.

STAFF: No adjustments should be made.

ISSUE 14: What dollar adjustments are necessary to used and useful components?

POSITIONS

GDU: The dollar adjustments are shown in the used and useful analysis for each division, MFR Exhibit 3.

OPC: The following used and useful adjustments should be made:

NON USED & USEFUL DOLLAR AMOUNTS

PORT MALABAR	Water	Wastewater
Plant In Service	(\$4,320,065)	(\$4,257,380)
Accumulated Depr	725,522	867,989
Total Adj to R/B	(\$3,594,543)	(\$3,389,391)

NON USED & USEFUL DOLLAR AMOUNTS (Con't)

WEST COAST	Water	Wastewater
Plant In Service	(\$1,242,285)	(\$3,313,946)
Accumulated Depr	296,223	562,808
Total Adj to R/B	(\$946,062)	(\$2,751,138)

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

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

ISSUE 15: Should there be an offset to margin reserve for prepaid CIAC?

POSITIONS

GDU: No.

OPC: If margin reserve is allowed, CIAC should be imputed for the connections included in the reserve, whether prepaid or no.

CITIES: Yes.

STAFF: Yes.

ISSUE 16: Has GDU accounted for all CIAC collected for the Water Transmission & Distribution and the Wastewater Collection systems for the Port Malabar and West Coast Divisions?

POSITIONS

GDU: Yes.

OPC: No. Most of the CIAC collected for these systems in both divisions has not been properly recognized. The following adjustments should be made:

Imputation of CIAC - Port Malabar

PORT MALABAR	Water	Wastewater
CIAC	(\$6,240,062)	(\$2,645,789)
CIAC Amortization	442,473	50,572
Net Adj to R/B	(\$5,797,589)	(\$2,595,217)

Imputation of CIAC - West Coast Division

WEST COAST	Water	Wastewater
CIAC	(\$2,468,742)	(\$2,202,841)
CIAC Amortization	430,225	548,529
Net Adj to R/B	(\$2,038,517)	(\$1,654,312)

CITIES: No.

STAFF: Yes.

ISSUE 17: Should there be an adjustment to increase GDU's amount of CIAC by the amount of escrowed funds for plant capacity and main line extension charges which GDC retained as GDU's agent from lot purchasers after they canceled their lot purchase agreements?

POSITIONS

GDU: No.

OPC: Yes. Agree with Cities.

CITIES: Yes. The final amount can be determined only upon GDU complying with prior discovery requests.

STAFF: No.

ISSUE 18: Should CIAC be increased by the amount of plant capacity and/or main line extension charges, if any GDC included in the price of lots sold?

POSITIONS

GDU: No. GDC did not include any plant capacity and/or main line extension charges in the cost of lots sold. This matter will be briefed in GDU's response to the Cities' motion to dismiss for lack of jurisdiction.

OPC: Yes.

CITIES: Yes. The plant capacity and or main line extension charges should have been turned over to GDU. The proceeds were improperly booked by GDC as land sales profits, and GDU included the related lines in utility plant into rate base, thereby wrongfully inflating rate

base and understating CIAC. This issue is also covered in Cities position in the next two issues.

STAFF: No.

ISSUE 19: What adjustments, if any, are necessary to reflect the difference between interest credited to lot purchasers and the interest actually earned under the escrow agreement.

POSITIONS

GDU: None. These are nonoperating earnings for GDC. The interest does not belong to GDU. Even if it did, it would constitute nonoperating income that should not be considered in the ratemaking process.

OPC: The unamortized balance of the interest differential (recorded versus actually earned) should either be included in the capital structure at zero cost or reflected as a reduction to rate base. The amortization of the unrecognized actual accumulated interest differential should be recognized over 4 years.

CITIES: For Port Malabar, the total estimated earnings for the test year of \$53,377 should be used as a reduction to operating expenses for the test year. Also, test year operating expenses should be further reduced by \$224,876 to reflect the annual amortization of the cumulative excess earnings for the period 1976 through 1990. The cumulative amount for the period 1976 to 1990 should be included as a reduction to rate base as of the beginning of the test year. The average balance for the test year of \$787,067 should then be computed based on amortized amount and used as a reduction to rate base for the test year. The cumulative amount for the period 1976 to 1990 should be included as a reduction to rate base as of the beginning of the test year. The average balance for the test year of \$2,068,860 should then be computed based on the amortized amount used as a reduction to rate base for the test year. The annual amortization based on a four year amortization period should be used to reduce operating expenses. For West Coast, the total estimated earnings for the test year of \$96,948 should be used as a reduction to operating expenses for the test year. Also, test year operating expenses should be further reduced by \$591,100 to reflect the annual amortization of

the cumulative excess earnings for the period 1976 through 1990. Based on the amounts previously withdrawn from escrow, these amounts should be assigned to the water system. This issue is also covered in the next issue.

STAFF Agree with GDU.

ISSUE 20: Were there any undercollections of CIAC, and if so, what adjustments should be made?

POSITIONS

GDU: No. Prior to 1983, GDU collected less than the full service availability charges from some customers pursuant to the "Prior Policy" section of its Commission-approved tariffs. In 1983, the Commission indicated that it no longer approved of that policy and GDU thereafter began to collect the full tariffed charge from all customers. In the GDU St. Lucie rate case, the Commission imputed CIAC for the difference between amounts historically collected under this "Prior Policy" and the full amounts stated in the utility's previous tariffs. That imputation of CIAC is not appropriate. The "Prior Policy" was set forth in Commission-approved tariffs, and it is improper to retroactively impute CIAC when the amount collected was in accordance with the approved policy at the time of collection. In particular, there is no basis for the position that CIAC should be imputed to equal the total cost of smaller distribution and collection mains.

OPC: Agree with Cities.

CITIES: The cost of installed assets in excess of the fixed capacity charges. The excess amount should be imputed as CIAC and amortized over the assets' useful life. This amount is estimated for the water system by assuming that all water lines 6 inches diameter and less and hydrants services and meters should have been contributed. For the wastewater system, the estimate includes collection mains 8 inches and smaller, and force mains 4 inches and smaller. Based on our position on this issue, for Port Malabar, the appropriate adjustment to rate base for the gross amount of CIAC would be \$7,353,000 for water and \$2,906,000 for wastewater. Rate base would need to be increased by \$1,021,000 for the water system and \$378,000

for the wastewater system to reflect the accumulated amortization of the imputed CIAC. The final dollar amount is subject to the resolution of other issues. For West Coast, the appropriate adjustment to rate base for the gross amount of CIAC would be \$2,623,000 for water and \$2,143,000 for wastewater. Rate base would need to be increased by \$497,000 for the water system and \$453,000 for the wastewater system to reflect accumulated amortization of the imputed CIAC.

STAFF: Yes, if appropriate in these cases, based on the Commission decision in the GDU-St. Lucie Division rate case. (Docket No. 830421-WS, Order No. 13659)

ISSUE 21: Should CIAC for West Coast Division be increased based on discrepancies in GDU's books and rate cases before 1976?

POSITIONS

GDU: GDU is not aware of any discrepancies.

OPC: No position at this time.

CITIES: Yes. Adjustments have been made in prior rate cases. CIAC is not accurately reflected in the current MFRs, and should be adjusted in this rate case.

STAFF: No, we are not aware of any adjustments that are required based on a prior rate case of the South Port Charlotte Division.

ISSUE 22: What is the appropriate amount of used and useful CIAC?

POSITIONS

GDU: For the Port Malabar Division the appropriate amount of used and useful CIAC is \$11,413,324 for water and \$4,858,359 for wastewater. For the West Coast Division the appropriate amount of used and useful CIAC is \$2,020,793 for water and \$2,446,428 for wastewater.

OPC: Agree with Cities.

CITIES: For Port Malabar, the imputed CIAC and the accumulated amortization of the imputed CIAC for GDU's water and wastewater facilities, are as follows:

Water

Less: CIAC	(\$11,752,488)
Net Imputed CIAC	(\$7,352,699)
Accum. Amort. of CIAC	\$1,849,796
Net Accum. Amort. of CIAC	\$1,612,304

Wastewater

Less: CIAC	(\$4,890,581)
Net Imputed CIAC	(\$2,906,020)
Accum. Amort. of CIAC	\$1,039,534
Net Accum. Amort. of CIAC	\$390,180

For West Coast, the imputed CIAC and the accumulated amortization of the imputed CIAC for GDU's water and wastewater facilities, are as follows:

Water

Less: CIAC	(\$2,077,584)
Net Imputed CIAC	(\$2,623,172)
Accum. Amort. of CIAC	\$578,971
Net Accum. Amort. of CIAC	\$496,555

Wastewater

Less: CIAC	(\$2,471,723)
Net Imputed CIAC	(\$2,142,568)
Accum. Amort. of CIAC	\$755,612
Net Accum. Amort. of CIAC	\$452,672

With regards to the water system, the water distribution lines of six inches in diameter or less, the fire hydrants, and all meters and services were considered to be contributed to the utility system. As to the wastewater system, all collection mains of eight inches in diameter or less, all force mains of four inches in diameter or less, lift stations other than master lift stations, and all services and laterals to customers, were considered to be also CIAC. In order to not double count the deduction of the CIAC assets, GDU's CIAC for non-plant assets would have to be subtracted from the

above imputed CIAC, resulting in the net imputed CIAC. The net accumulated amortization of the imputed CIAC was treated in the same manner. Although the CIAC and the imputed CIAC should not enter into rate base calculations, those portions which are normally considered CIAC, distribution and collection systems, are considered to be 100 percent used and useful.

STAFF: The final determination of the appropriate amount of CIAC is subject to the resolution of other issues.

ISSUE 23: What are the appropriate provisions for accumulated deferred income taxes and their nature (debit or credit) to include in the rate bases or capital structures of the Port Malabar and West Coast systems?

POSITIONS

GDU: For the Port Malabar Division the accumulated deferred income taxes are a debit balance of \$662,225 for water and \$227,101 for wastewater. These net debit balances should be included in rate base. For the West Coast Division, the accumulated deferred income taxes are a credit balance of \$1,261,888. The credit balance should be included in capital structure as zero cost capital.

OPC: Public Counsel has not quantified the amount at this time.

CITIES: The appropriate provision for accumulated deferred income taxes is as filed, subject to the resolution of other issues. Deferred tax debits should be allocated between water and wastewater for both divisions by first multiplying the amount of taxable CIAC for both water and wastewater by the effective statutory tax rate. The difference between this calculated amount and the remaining accumulated deferred taxes (whether debit or credit) should then be allocated based on the relationship of net utility plant.

STAFF: No position pending further development of the record and resolution of other issues.

ISSUE 24: What is the appropriate amount of working capital to be included in rate base?

POSITIONS

GDU: The appropriate working capital allowance for the Port Malabar Division is \$242,296 for water and \$135,698 for wastewater. The appropriate working capital allowance for the West Coast Division is \$145,222 for water and \$104,791 for wastewater. This amount is equal to 1/8 of test year Operation and Maintenance (O&M) expense, formula method, without an adjustment for income tax lag, which is the appropriate basis for calculating a working capital allowance in this case.

OPC: The balance sheet method should be used. However, reliable 13-month balance sheet information was not available, therefore, the allowance should be presumed to be zero (\$0). If the Commission rules in favor of the formula method instead of the balance sheet approach, then the Commission should recognize the income tax lag offset if any such tax is allowed.

CITIES: Working capital should be computed using one-eighth of O&M expense based on final PSC approved O&M. For Port Malabar working capital should be reduced by the amount of franchise taxes collected but not remitted to the City.

STAFF: The amount of working capital should be computed using the one-eighth of O&M expenses, with no adjustment for an income tax lag.

ISSUE 25: Should accumulated depreciation be restated using rates per Rule 25-30.140, Florida Administrative Code?

POSITIONS

GDU: No. Such an adjustment is theoretically inappropriate and is inconsistent with Staff Advisory Bulletin No. 17.

OPC: Yes, if it is determined that GDU has used a composite depreciation rate that has understated accumulated depreciation.

CITIES: Agrees with Staff.

STAFF: No adjustments should be made.

ISSUE 26: What is the appropriate level of test year rate base?

POSITIONS

- GDU: The test year rate base for the Port Malabar Division is \$17,990,304 for water and \$10,115,889 for wastewater. The test year rate base for the West Coast Division is \$4,646,034 for water and \$10,189,750 for wastewater.
- OPC: The appropriate level of test year rate base is subject to the resolution of other issues.
- CITIES: The final determination of the rate base amount is subject to the resolution of other issues.
- STAFF: The appropriate level of test year rate base is subject to the resolution of other issues.

COST OF CAPITAL

ISSUE 27: What is the appropriate capital structure for ratemaking purposes?

POSITIONS

- GDU: GDU's test year average capital structure of approximately 31 percent debt and 69 percent equity is the appropriate capital structure for ratemaking purposes. Pro rata adjustments should be made to reconcile capital structure to rate base.
- OPC: The appropriate capital structure can be found in Larkin's schedules nos. 4-W and 4-S. GDU's propane business should be removed from its capital structure because it is a non-regulated operation. Only the capital structure supporting regulated utility operations should be used for setting rates for Port Malabar and West Coast Division water and wastewater customers.
- CITIES: For both divisions, the capital structure should be imputed to reflect 45 percent equity and 55 percent debt.
- STAFF: A reasonable capital structure should be imputed for ratemaking purposes based on the capital structure in existence prior to GDC's bankruptcy. Non-utility

investments should be removed directly from common equity in reconciling rate base to capital structure.

ISSUE 28: Should the Industrial Revenue Bonds (IRBs), that existed prior to the bankruptcy filing by GDC, be restored to the capital structure?

POSITIONS

GDU: No. Such financing is not available to GDU on a stand-alone basis, and was never available to it on such a basis.

OPC: Yes. The Port Malabar and West Coast Division ratepayers should not have to suffer higher utility rates as a result of a developer/parent filing for bankruptcy and losing the low cost financing that these bonds previously provided.

CITIES: Ratepayers should not be harmed as a result of a parent/developer filing for bankruptcy. The best approach is to impute capital structure and use the IRB rate in determining the weighted cost of debt.

STAFF: Yes, the IRBs should be considered as the debt component of a reasonable capital structure.

ISSUE 29: What is the appropriate cost of common equity?

POSITIONS

GDU: Same as Staff.

OPC: In determining the cost of equity OPC acquiesces to the use of the most recently approved Commission leverage graph.

CITIES: For both divisions, the cost of equity should be set by the PSC Staff's leverage graph formula in effect at the time of the agenda conference or redetermined using the staff formula and the most recent long-term interest rate data available as long as the method used adequately reflects the recent declines in long-term capital costs.

STAFF: The cost of equity should be set by the leverage formula in effect at the time of the agenda conference for the

final order for these cases, with the range for the cost of equity being plus or minus 100 basis points.

ISSUE 30: What is the appropriate cost of long-term debt?

POSITIONS

GDU: The appropriate cost of long-term debt is the test year weighted average cost of 11.01 percent. It is inappropriate to impute IRBs into the utility's capital structure for purposes of calculating a debt cost.

OPC: The cost rate for long term debt should be based on the restoration of the industrial revenue bonds to the capital structure. The cost rate for these bonds should be 4.5 percent which includes an amortization of an appropriate amount of issuance, remarketing and other costs. If the IRBs are not restored to the capital structure, the current prime rate of 6.5 percent should be used as a basis for calculating the interim rate on long-term debt.

CITIES: For both divisions, the cost of long-term debt should be the interest rate currently used for the Industrial Revenue Bonds of 5.3 percent.

STAFF: The cost rate for long-term debt should be the weighted average cost rate for all IRBs, based upon the most current financial information.

ISSUE 31: Should equity be reduced for any restatement of gains realized on the disposition of Port St. Lucie and Charlotte County property?

POSITIONS

GDU: Yes, if an actual test year average capital structure is used.

OPC: Yes. Gains on sale of this property appear to be overstated by at least the amount of CIAC included in each system. Common equity should be reduced to the extent that GDU has reflected these gains in retained earnings.

CITIES: No. If you use an imputed capital structure as discussed in Issue 28.

STAFF: No position at this time.

ISSUE 32: What are the appropriate amounts of investment tax credits and the appropriate cost rates to include in the capital structures of the Port Malabar and the West Coast systems?

POSITIONS

GDU: For the Port Malabar Division the test year capital structure includes \$1,259,594 of zero cost investment tax credits. For the West Coast Division the test year capital structure includes \$694,592 of zero cost investment tax credits.

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

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

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

ISSUE 33: Should the Accounts Receivable from GDC to GDU be removed before reconciliation of the parent's capital structure to the Port Malabar and West Coast Division rate bases?

POSITIONS

GDU: The accounts receivable was completely written off by December 31, 1990, and therefore does not appear in the test year average capital structure.

OPC: Yes. \$28,445,218 should be removed from GDU's December 31, 1989 equity balance.

CITIES: No. If you use imputed capital structure as discussed in Issue 28.

STAFF: No, this adjustment has already been recognized.

ISSUE 34: What is the appropriate overall cost of capital including the proper components, amounts and cost rates associated with the capital structure?

POSITIONS

GDU: Based on the current leverage graph, the appropriate weighted average cost of capital is 11.00 percent for Port Malabar and 10.00 percent for West Coast, which reflects debt at a cost rate of 11.01 percent. This cost reflects the risks associated with the provision of regulated utility service and is based on a reasonable capital structure.

OPC: See Larkin's schedules nos. 4-W and 4-S for Port Malabar and West Coast.

CITIES: For both divisions, the weighted average cost of capital is subject to the resolution of other issues.

STAFF: The weighted average cost of capital should reflect only the risks associated with the provision of regulated utility service and should be based on a capital structure that is reasonable for a water and wastewater utility company.

NET OPERATING INCOME

ISSUE 35: Should the utility's projected 1991 billing analysis, as presented in the utility's MFRs, be adjusted?

POSITIONS

GDU: No, but an updated billing analysis based on actual test year consumption should be used.

OPC: No position at this time.

CITIES: For both divisions, the billing determinants used for determining final rate design should be adjusted to reflect a three year average per customer consumption to compensate for the unusual weather conditions over the past few years. For Port Malabar this results in test year consumption of 1,356,265 and an increase to test year revenues of \$165,889. For West Coast this results in test year consumption of 414,268 and an increase to test year revenues of \$68,960. Applying this adjustment to bulk service would result in a test year consumption

of 356,534 and an increase to bulk service revenues of \$48,280.

STAFF: Yes, adjustments appear to be necessary.

ISSUE 36: Should an adjustment be made to GDU's West Coast Division's revenues to recognize the sale of effluent to irrigate GDC's golf course per a 1986 agreement? If yes, what adjustment should be made?

POSITIONS

GDU: No.

OPC: Yes. Wastewater test year revenues should be increased \$8,900 to recognize the annualization of this adjustment for the West Coast Division.

CITIES: Yes. Wastewater test year revenues should at a minimum be increased by \$8,900 to recognize sale of effluent based on the .23/MG. rate. If it is accepted that the effluent rate shall be based on the fully allocated cost of serve, the revenue should be increased by \$65,975 based on an average rate of 1.705/MG.

STAFF: Yes. The actual dollar adjustment is subject to further discovery.

ISSUE 37: Has GDU properly annualized the revenue increase granted Port Malabar in July 1991 for a Pass Through/Indexing proceeding?

POSITIONS

GDU: Yes.

OPC: No. Port Malabar's test year revenues should be increased \$111,935 and \$72,000 for water and wastewater, respectively, to reflect the annualization.

CITIES: No. The final dollar amount is subject to the resolution of other issues.

STAFF: Yes.

ISSUE 38: Should O&M expenses be adjusted to reflect the 1991 actual balances?

POSITIONS

GDU: Yes, with appropriate pro forma adjustments for known changes in 1992, as shown in Exhibit DDS-3 and DDS-4.

OPC: Yes.

CITIES: Yes.

STAFF: Yes.

ISSUE 39: Should an adjustment be made to salary expense for the cost of an administrative assistant hired late in 1991 for the West Coast Division?

POSITIONS

GDU: Yes. The expense of the administrative assistant should be annualized to actual test year expenses. This requires an addition of \$13,846.

OPC: No. Not only should the adjustment not be made, the month of two actuals also should be removed.

CITIES: Agree with OPC.

STAFF: Yes.

ISSUE 40: Should the materials and supplies expense be reduced for non-recurring legal and lobbying expenses?

POSITIONS

GDU: No.

OPC: Yes. Agrees with Staff.

CITIES: Agrees with Staff.

STAFF: Yes, it should be reduced by the amounts of non-recurring legal and lobbying expenses shown below:

	<u>DEFERRED TAX WORK</u>	<u>LOBBYING</u>
PM Water	\$ 7,020	\$ 3,375
PM Wastewater	1,872	900
WC Water	3,276	1,575
WC Wastewater	2,808	1,350

*PM = Port Malabar
*WC = West Coast

ISSUE 41: What is the appropriate amount for current rate case expense?

POSITIONS

GDU: For the Port Malabar Division, the appropriate amount of current rate case expense is currently estimated at \$283,716 for water and \$118,534 for wastewater, amortized over four years at the rate of \$70,929 for water and \$29,634 for wastewater. For the West Coast Division, the appropriate amount of current rate case expense is currently estimated at \$161,026 for water and \$131,674 for wastewater, amortized over four years at the rate of \$40,257 for water and \$32,918 for wastewater. GDU intends to present updated information on rate case expense one week prior to the final hearing.

OPC: Zero (\$0). The Citizens question the prudence of GDU proceeding with rate cases for these two divisions at this time. Both divisions are in the final stages of court ordered arbitration proceedings to permit two municipalities to purchase the systems. Additionally, the rate case expense proposed by GDU is excessive. Depending upon what is learned at the hearing, this recommendation may be modified.

CITIES: Zero. Agree with OPC. In the alternative the Cities agree with Staff.

STAFF: Only those rate case expenses deemed prudent should be allowed, amortized over a four year period. The utility should also be required to submit, within 60 days of the issuance of the final order, a breakdown of actual rate case expense incurred. The information should be

submitted in the same manner as required in Schedule B-10 of the MFRs.

ISSUE 42: What adjustments are necessary to remove costs associated with excessive unaccounted-for-water?

POSITIONS

GDU: No adjustment is necessary. Unaccounted-for-water is well within accepted levels.

OPC: Agree with Cities.

CITIES: Based on a review of the data provided by GDU, unaccounted-for-water losses in the West Coast system are approximately 12.3 percent. Generally, 10 percent is an acceptable value for unaccounted-for-water losses. As a result, an adjustment of 2.3 percent should be applied to the North port water system.

STAFF: At this time, there appears to be no excessive unaccounted-for-water.

ISSUE 43: What adjustments are necessary to remove costs associated with excessive infiltration?

POSITIONS

GDU: No adjustment is necessary. The system does not have excessive infiltration.

OPC: Agree with Cities.

CITIES: An analysis of the wastewater collection system for West Coast was conducted to determine excess infiltration/inflow (I/I) in the system. In addition, an inspection of the collection system was conducted. As a result of our analysis, approximately 12 percent was determined to be excessive I/I. Based on cost estimates provided by our subconsultants, it was determined that approximately \$120,000 to \$150,000 would be required to inspect (TV), clean and grout the system. Furthermore, an additional \$80,000 to \$95,000 would be required to repair the manholes and lift stations in the system.

STAFF: At this time, there appears to be no excessive infiltration.

ISSUE 44: Should the salaries, materials and supplies, and property insurance, for the Port Malabar Division be reduced to reflect proper allocation among the divisions of GDU?

POSITIONS

GDU: No. No adjustment is necessary since the MFRs reflect a proper allocation.

OPC: Yes. Property insurance should be adjusted to reflect allocation of property insurance based on year-end fixed assets. Further, the allocation base in effect at test year-end should be used to normalize January through June allocated Miami wages and office expenses to a going forward level. The following adjustment is necessary:

PORT MALABAR	Water	Wastewater
Salaries & Wages	(\$2,585)	(\$10,341)
Taxes - Other	(225)	(900)
Material & Supplies	(2,803)	(11,212)

CITIES: Agrees with Staff.

STAFF: Yes, the final dollar amount of the reduction is as follows:

	<u>SALARIES</u>	<u>PAYROLL TAX</u>	<u>OFFICE EXPENSES</u>	<u>PROPERTY INSURANCE</u>	<u>TOTAL</u>
PM Water	\$ 2,585	\$ 225	\$ 2,803	\$67,644	\$73,257
PM Wastewater	7,756	675	11,212	38,201	\$57,844
WC Water	- 0 -	- 0 -	- 0 -	20,418	\$20,418
WC Wastewater	- 0 -	- 0 -	- 0 -	33,686	\$33,686

*PM = Port Malabar
 *WC = West Coast

ISSUE 45: Should test year contractual services - OTHER be adjusted to reflect a 4-year amortization of \$83,000 expense for the cleaning of the WTP lime ponds?

POSITIONS

GDU: No. Lime pond cleaning is required annually, and the full amount recovered should be included as a test year expense.

OPC: Yes. The entire cost associated with the cleaning of water treatment lime ponds at Port Malabar should be amortized over 4 years.

CITIES: If expended, then costs should be amortized for Port Malabar. If money not expended, then cost should be eliminated. If expended in 1992, then allow 1-year amortization. Final position subject to response by GDU to discovery propounded.

STAFF: No position at this time.

ISSUE 46: Should an adjustment be made to rent expense, for the Port Malabar system, to reflect the fair market value of rental property in the service area?

POSITIONS

GDU: No adjustment is necessary.

OPC: Yes. Port Malabar's expense for the rental of office space should be adjusted so it does not exceed General Services' maximum zone rental rates.

CITIES: No position at this time.

STAFF: No adjustment is necessary.

ISSUE 47: What is the appropriate amount of test year used and useful depreciation expense?

POSITIONS

GDU: GDU agrees with staff that it would be appropriate to reflect actual, rather than projected, amounts.

OPC: Depreciation expense should be reduced by \$128,832 and \$163,111 for the Port Malabar water and wastewater systems respectively to reflect non-used and useful. Also, depreciation expense should be reduced by \$32,867 and \$109,973 for the West Coast Division water and wastewater systems respectively to reflect non-used and useful. Depreciation expense should be reflected at rates prescribed by Rule 25-30.140, Florida Administrative Code.

CITIES: Agrees with Staff.

STAFF: Depreciation expense should reflect actual rather than projected amounts. The final dollar amount is subject to the resolution of other issues.

ISSUE 48: Should an adjustment be made to amortization expense of imputed Contributions-in-Aid-of-Construction (CIAC)?

POSITIONS

GDU: No adjustment from imputed CIAC is appropriate. If an adjustment is made, a corresponding adjustment must be made to amortization of that imputed CIAC.

OPC: Yes. For the Port Malabar systems, \$149,761 and \$60,853 for water and wastewater, respectively should be netted against depreciation expense. For the West Coast Division systems, \$56,781 and \$50,665 for water and wastewater, respectively should be netted against depreciation expense.

CITIES: Yes, for both divisions, the amount of amortization should be based on the amount of imputed CIAC amortized over the useful life of the plant.

STAFF: Yes. Amortization of imputed CIAC should be recognized. The final dollar amounts are subject to the resolution of other issues.

ISSUE 49: What is the appropriate provision for taxes other than income?

POSITIONS

GDU: GDU agrees with staff that it would be appropriate to reflect actual, rather than projected, amounts.

OPC: Taxes Other Than Income should be reduced \$29,038 and \$77,129 for water and wastewater, respectively, for the Port Malabar system. Taxes Other Than Income should be reduced \$28,344 and \$36,838 for water and wastewater, respectively, for the West Coast system.

CITIES: Agrees with Staff.

STAFF: The final dollar amount is subject to the resolution of other issues. However, adjustments should be made which reflect actual rather than projected amounts.

ISSUE 50: Are parent company debt adjustments appropriate for the Port Malabar and West Coast systems?

POSITIONS

GDU: No. A parent debt adjustment is not appropriate in the unique circumstances of this case. The calculation produces a nonsensical result because of the unusual financial structure of GDC which includes a large amount of negative retained earnings. Further, due to its bankruptcy filing, GDC paid only a small portion of the interest costs which accrued during 1991, so that very little actual tax deduction was generated from the parent's interest costs. In this situation, it would be particularly inappropriate to make a parent debt adjustment that imputes a hypothetical tax benefit to GDU.

OPC: Yes, if the Commission grants income taxes in this rate case.

CITIES: Yes. For both divisions, the parent company debt adjustment is used to reflect in the calculation of income taxes the fact that a portion of the subsidiary's equity is supported by the debt and equity of the parent. The circumstances in this case indicate that GDC's capital structure and cost of capital are uncertain due to its bankruptcy and related litigation and recent emergence from bankruptcy protection. GDC's weighted average cost of debt on an on-going basis would need to be determined to accurately compute the parent company debt adjustment.

STAFF: Yes. In accordance with Rule 25-14.004, Florida Administrative Code, parent company debt adjustments are appropriate.

ISSUE 51: What are the appropriate amounts of parent company debt adjustments for the Port Malabar and West Coast systems?
POSITIONS

GDU: As stated above no adjustment is appropriate. If an adjustment is made, it should be based on the calculations presented on Exhibit TLE-1 for the Port Malabar Division and TLE-2 for the West Coast Division.

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

CITIES: For both divisions, the resolution of this issue is subject to the resolution of other issues. However, the amount allocable to the water operation should be based on the amount of rate base dedicated to the water operations, and the amount allocable to the wastewater operation should be based on the amount of rate base dedicated to the wastewater operations.

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

ISSUE 52: What are the appropriate test year provisions for income taxes for the Port Malabar and West Coast operations?
POSITIONS

GDU: For the Port Malabar Division, the appropriate provision for income taxes for water operations for the test year is \$831,184. For the Port Malabar Division, the appropriate provision for income taxes for wastewater operations for the test year is \$447,975. For the West Coast Division the appropriate provision for income taxes for water operations for the test year is \$141,319. For the West Coast Division, the appropriate provision for income taxes for wastewater operations for the test year is \$427,732. These are based on a stand-alone tax calculation.

OPC: The resolution of this issue is dependent on the resolution of other issues.

CITIES: Agrees with Staff.

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

ISSUE 53: What is the appropriate level of test year operating income?

POSITIONS

CDU: For the Port Malabar Division the appropriate level of test year operating income is \$1,978,933 for water and \$1,112,748 for wastewater, before adjustment for any changes in rate case expense. For the West Coast Division the appropriate level of test year operating income is \$464,603 for water and \$1,018,975 for wastewater, before adjustment for any changes in rate case expense.

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

CITIES: For both divisions, the final dollar amount is subject to the resolution of other issues.

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

REVENUE REQUIREMENT

ISSUE 54: What is the total revenue requirement?

POSITIONS

CDU: For the Port Malabar Division, the total revenue requirement is \$5,854,672 for water and \$3,558,165 for wastewater, before adjustment for any changes in rate case expense. For the West Coast Division, the total revenue requirement is \$2,996,065 for water and \$2,356,236 for wastewater, before any adjustment for changes in rate case expense.

OPC: This issue and the final dollar amount are subject to resolution of other issues.

CITIES: For both divisions, the final determination of revenue requirements is subject to the resolution of other issues.

STAFF: This issue and the final dollar amount are subject to resolution of other issues.

RATES AND RATE STRUCTURE

ISSUE 55: Should the utility's requested water conservation rate structure be approved?

POSITIONS

GDU: Yes, for the Port Malabar Division a conservation rate structure recognizes the policy in favor of conserving state's water resources. The West Coast Division already has a conservation rate structure. It should be continued, since a conservation rate structure recognizes the policy in favor of conserving state's water resources.

OPC: No position.

CITIES: Yes, for both divisions.

STAFF: No position pending further development of the record.

ISSUE 56: For the Port Malabar Division, should the residential wastewater maximum cap of 8,000 gallons as requested by the utility be lowered to 6,000 gallons?

POSITIONS

GDU: No, the residential wastewater cap should be set at 8,000 gallons.

OPC: No position.

CITIES: The residential wastewater cap should be set at 8,000 GPM.

STAFF: Yes, 90.09 percent of the residential gallons fall within the 6,000 gallon consolidated factor when compared to the requested 8,000 gallon cap.

ISSUE 57: At what level should the residential wastewater cap be set for the West Coast Division?

POSITIONS

GDU: The residential wastewater cap should be set at 8,000 gallons.

OPC: No position.

CITIES: The residential wastewater cap should be set at 8,000 GPM for the West Coast Division.

STAFF: No position pending further development of the record.

ISSUE 58: Should the West Coast Division be authorized to charge for bulk effluent service and, if so, what is the appropriate rate?

POSITIONS

GDU: Yes, at a rate of 23 cents per thousand gallons which represents a sharing of the incremental costs of providing the service.

OPC: No position.

CITIES: Yes. For West Coast, the effluent rate should be calculated on a cost of service basis with a policy decision by the Commission as to the proper level of subsidy needed to encourage use of effluent. The authorized rate based on a fully allocated cost to serve would range from \$1.49/MG to \$1.92/MG based on a level of assets associated with the effluent disposal.

STAFF: No position pending further development of the record.

ISSUE 59: For the West Coast Division, what rates should be approved for providing bulk water service to Myakka Utilities, Inc.?

POSITIONS

GDU: The appropriate metered bulk service rates that would apply to Myakka Utilities are the rates shown on page 205 of the MFRs and supported by the bulk water rate study contained as Exhibit 4 of the MFRs.

OPC: No position.

CITIES: No position at this time. Bulk rates should be equal to the inside City rate less the cost of metering and billing. Bulk rates should be reduced for lower customer accounting cost, and the two bulk customers should be in the tariff, metered and at a reduced rate. Otherwise,

the final rate amount is subject to the resolution of other issues.

STAFF: The determination of this issue is subject to the resolution of other issues in this docket.

ISSUE 60: For the West Coast Division, what rates should be approved for providing bulk water service to Charlotte County?

POSITIONS

GDU: The appropriate unmetered bulk service rates for service to Charlotte County are the rates shown on page 205 of the MFRs and supported by the bulk water rate study contained as Exhibit 4 of the MFRs.

OPC: No position.

CITIES: Bulk rates should be equal to the inside City rates less the cost of metering and billing.

STAFF: The determination of this issue is subject to the resolution of other issues in this docket.

ISSUE 61: What final rates should be authorized?

POSITIONS

GDU: Final rates should be authorized to recover the revenue requirement determined after all stipulated adjustments have been taken into account.

OPC: We do not have a recommendation concerning final rates until after the revenue requirement is determined.

CITIES: For both divisions, the determination of final rates is subject to the resolution of all of the issues in the case.

STAFF: The determination of the appropriate final rates is subject to the resolution of other issues.

ISSUE 62: Should the utility be required to refund revenues generated from interim rates?

POSITIONS

GDU: No.

OPC: The determination of any possible refund of interim rates is subject to the resolution of other issues.

CITIES: Yes, based on the final determination of revenue requirements, a refund of interim rates should be made for both divisions. The final dollar amount is subject to the resolution of other issues.

STAFF: The determination of the appropriate amount of refund is subject to the resolution of other issues.

ISSUE 63: As to the Port Malabar system, should franchise fees no longer paid to the City of Palm Bay but still collected from the ratepayers be refunded to the ratepayers?

POSITIONS

GDU: Not until the City of Palm Bay disclaims any right to such fees.

OPC: Yes. The amount to be refunded is unknown at this time.

CITIES: Yes. The amount should be refunded but until that point in time, franchise taxes collected but not remitted to the City of \$448,947 should be used as a reduction of the amount of working capital claimed. The company's revised practice of not remitting the franchise taxes when due requires the adjustment to the amount of working capital derived using the formula approach of \$307,304 for water and \$141,643 for wastewater based on the relationship to total revenue.

STAFF: The utility should continue to hold the funds pending the sale of the utility or renegotiation of the franchise fee agreement. At that time the funds should either be refunded to the customers or remitted to the City.

ISSUE 64: By what amount should the final rates approved in this case be reduced four years from their effective date in accordance with Section 367.0816, Florida Statutes?

POSITIONS

GDU: For the Port Malabar System water rates should be reduced by \$0.17 base facility charge (BFC) and \$0.03 gallonage charge and wastewater rates should be reduced by \$0.15 BFC and \$0.03 gallonage charge four years after the established effective date to reflect the removal of amortized rate case expense, based on the current level projected for such expense. For the West Coast Division water rates should be reduced by \$0.15 BFC and \$0.04 gallonage charge and wastewater rates should be reduced by \$0.25 BFC and \$0.07 gallonage charge four years after the established effective date to reflect the removal of amortized rate case expense, based on the current level projected for such expense.

OPC: The appropriate rate reduction is subject to the resolution of other issues.

CITIES: The appropriate rate reduction is subject to the resolution of other issues.

STAFF: The appropriate rate reduction is subject to the resolution of other issues.

ISSUE 65: Is the utility's existing service availability policy in compliance with Rule 25-30.580, Florida Administrative Code, and if not, should the charges be adjusted?

POSITIONS

GDU: Yes, as to the Port Malabar Division, therefore no adjustment is necessary. For the West Coast Division, the utility's existing service availability policy was implemented while the utility was under the regulatory jurisdiction of the City of North Port. The current service availability charges are now out of date. On April 10, 1992, the utility filed an application for an increase in service availability charges that will bring the level of the charges within the Commission's guidelines. That filing has been assigned Docket No. 920327-WS.

OPC: No position.

CITIES: For West Coast, the utility's capacity fees do not recover the utility's cost. For Port Malabar the

utility's capacity fees do not recover the utility's cost. Capacity fees should be increased and more property required to be installed by the developer and contributed to GDU. Final position subject to response by GDU to discovery propounded.

STAFF: As to the Port Malabar Division, no position pending further development of the record. As to the West Coast Division, Docket No. 920327-WS has been assigned to the utility's Application for a change in service availability charges; any adjustments to service availability charges for the West Coast Division should be decided by the Commission in Docket No. 920327-WS.

ISSUE 66: Should the utility's request to adjust the amount of customer deposits be granted?

POSITIONS

GDU: Yes, customer deposits should be adjusted to maintain the deposit level at twice the average monthly water and wastewater rates, pursuant to Rule 25-30.311, Florida Administrative Code.

OPC: No position.

CITIES: Yes. For both divisions, customer deposit requirements should be adjusted to reflect the increased rates approved in this case and the specific cut off policy in effect. For each class of customer, the deposit requirements should be sufficient to compensate for the maximum bad debt exposure for the average customer.

STAFF: Yes.

ALLOWANCE FOR FUNDS PRUDENTLY INVESTED (AFPI)

ISSUE 67: Are any adjustments to AFPI necessary?

POSITIONS

GDU: No.

OPC: Yes. The following 1991 advances from escrow balances should be used to offset the base upon which AFPI charges are calculated:

PORT MALABAR	Water	Wastewater
Advances From Escrow	(\$1,346,540)	\$0
WEST COAST DIVISION	Water	Wastewater
Advances From Escrow	(\$1,518,948)	(\$3,778)

CITIES: The advances from escrow are monies that have been withdrawn from the escrow account maintained by GDC or GDU that are now recorded on GDU's books and records. These monies are released from escrow based on the installation of certain assets by GDU. These assets are included in plant-in-service and are currently being depreciated. However, the related customer has not physically connected to the system and therefore, these amounts are not treated as CIAC by the company. Not all customers of GDU advance monies for capacity fees into escrow; therefore, the used and useful adjustment should be greater than the advances from escrow balance. Since this amount relates to non-used and useful plant, this adjustment needs to be synchronized with the allowance for funds prudently invested (AFPI) computation. The advances from escrow should be used to reduce the AFPI calculation unless the Commission determines that discrimination should not occur in the AFPI calculation between customers who have advanced monies and those that have not; then this amount should be used as a rate base reduction. Any amounts of advances from escrow in excess of the amount of non-used and useful should be used as a reduction to rate base.

STAFF: Prepaid CIAC or advances from escrow in excess of used and useful plant should be used to reduce the investment allowed to earn a return, the return that will be paid by future customers.

ISSUE 68: What are the appropriate AFPI charges which should be approved?

POSITIONS

GDU: The appropriate AFPI charges are those shown in the MFRs, subject to any change in used and useful plant other items which would affect the calculations.

OPC: This issue and the final dollar amount is subject to resolution of other issues.

CITIES: This issue and the final dollar amount is subject to resolution of other issues.

STAFF: This issue and the final dollar amount is subject to resolution of other issues.

OTHER ISSUES

ISSUE 69: Are the utility's books and records in compliance with the Commission's Rules and Regulations?

POSITIONS

GDU: Yes.

OPC: No position at this time.

CITIES: For both divisions, the books and records of the Utility appear to accurately reflect all of the appropriate transactions of GDU except that:

- Retirements are not made for utility plant that has been replaced or abandoned.
- The escrow account and related investment earnings for GDU capacity and line extension charges maintained by GDC on behalf of GDU is not recorded on GDU's books and records.
- The amounts expensed for forced mains and collections mains have not been adequately segregated by NARUC account.

Further, based on the testimony of Hal Schmidt, Sr., found in the transcripts of the Arbitration Proceeding for the City of North Port, Florida vs. General

Development Utilities, Inc., GDC was collecting money from lot purchasers for utility lines and requiring GDU to "install the lines as [GDU's] own investment." Final position subject to response by GDU to discovery propounded.

STAFF: Yes unless the record reflects any areas which are not in compliance.

ISSUE 70: Should application fees relating to review of developer agreements be booked as income?

POSITIONS

GDU: Yes. They should be booked as income.

OPC: No position at this time.

CITIES: No, these fees should be considered CIAC, not income.

STAFF: Yes. Application fees relating to the review of developer agreements are authorized and should be booked as other operating income.

ISSUE 71: Should advances from escrow be reflected in the MFRs?

POSITIONS

GDU: No. Advances from escrow are shown on GDU's consolidated balance sheet. Since they do not enter into the calculation of revenue requirement, they are not required to appear in any other MFR schedules.

OPC: No position at this time.

CITIES: Yes. The advances from escrow in 1989 for the West Coast Division were in excess of \$1.53 million and \$1.06 million for Port Malabar. Those amounts are not reflected anywhere in the MFRs.

STAFF: No position at this time.

ISSUE 72: What is the proper Allowance for Funds Used During Construction (AFUDC) rate for the Port Malabar Water and Wastewater Division?

POSITIONS

GDU: The AFUDC rate could be reset in this proceeding to equal GDU's overall cost of capital, which is 11.00 percent for Port Malabar.

OPC: The allowance should be based on GDU's authorized rate of return, but should exclude the effects of GDC's bankruptcy.

CITIES: For Port Malabar the final position is subject to response by GDU to discovery propounded. The current 10.73 percent interest rate approved in 1987 is too high because of the default on the Industrial Revenue Bonds. Rate base may be overstated. GDU is capitalizing the cost of the funds at 10.73 percent, which includes costs incurred because of GDC's bankruptcy.

STAFF: The determination is subject to the resolution of other issues.

VII. Proposed Stipulations

At the prehearing conference, the parties and Staff agreed to the following:

1. Land accounts for the West Coast Division should be reduced by \$10,339 and \$9,077 for water and wastewater, respectively, for land not supported by the Division's Warranty Deed.
2. For the West Coast Division, CIAC related to wastewater should be decreased by \$32,920 because of an error in coding wastewater capacity charges. Associated accumulated amortization of CIAC should be reduced by \$932, and test year amortization should be reduced by \$899 for wastewater capacity fees paid to Port Charlotte.
3. For the Port Malabar Division, bad check charges should be reclassified as an above the line item in the miscellaneous service revenue account. Therefore, miscellaneous service revenue should be increased by \$1,940 for water and \$827 for wastewater.

4. For the West Coast Division, the salary and other payroll expenses related to an additional mechanic should not be included in test year expenses. If the actual expenses are approved, no adjustment is necessary; if the projected expenses included in the MFRs are approved, an adjustment of \$12,400 should be removed for both water and wastewater.
5. Material and supplies expense should be reduced for expenses related to the bankruptcy proceeding as follows:
 - a. Port Malabar Water \$15,243
 - b. Port Malabar Wastewater \$ 4,065
 - c. West Coast Water \$ 7,113
 - d. West Coast Wastewater \$ 6,097
6. For the Port Malabar Division, transportation expense should be reduced by \$5,934 for water and \$2,531 for wastewater to correct bookkeeping errors and out of period expenses.
7. The following adjustments should be made to salary expense related to management fee revenue:
 - a. Port Malabar Water \$(24,028)
 - b. Port Malabar Wastewater \$(10,244)
 - c. West Coast Water \$ 7,984
 - d. West Coast Wastewater \$ 6,517
8. For the Port Malabar Division, materials and supplies should be reduced by \$2,270 for water and \$968 for wastewater to remove non-direct maintenance labor incurred for the City of Port St. Lucie.
9. Salary expense should be reduced to reflect allocation of wages to construction work in progress as follows:
 - a. Port Malabar Water-Salary & Benefits \$64,326
 - Taxes-Other \$ 5,596
 - b. Port Malabar Wastewater-Salary & Benefits \$ 1,032
 - Taxes-Other \$ 90
 - c. West Coast Water-Salary & Benefits \$23,297
 - Taxes-Other \$ 2,027
 - d. West Coast Wastewater-Salary & Benefits \$23,021
 - Taxes-Other \$ 2,003
10. For the Port Malabar Division, depreciation expense related to leased vehicle expense should be reduced by \$1,207 for water and \$515 for wastewater.

11. Pension expense should be reduced as follows:

a. Port Malabar Water	\$6,276
b. Port Malabar Wastewater	\$2,233
c. West Coast Water	\$3,045
d. West Coast Wastewater	\$2,357

If the actual expenses are approved, no adjustment is necessary.

12. Worker's Compensation cost should be reduced as follows:

a. Port Malabar Water	\$98,371
b. Port Malabar Wastewater	\$34,030
c. West Coast Water	\$43,912
d. West Coast Wastewater	\$42,918

If the actual expenses are approved, no adjustment is necessary.

13. Employee group health insurance expense should be reduced to reflect actual expenses for the test period as follows:

a. Port Malabar Water	\$29,738
b. Port Malabar Wastewater	\$ 7,514
c. West Coast Water	\$10,994
d. West Coast Wastewater	\$13,260

If the actual expenses are approved, no adjustment is necessary.

14. For the Port Malabar Division, contractual services expense should be reduced by \$9,320 to reflect actual expense for a deep well injection integrity test that was incurred in the test year. If the actual expenses are approved, no adjustment is necessary.

15. For the West Coast Division, miscellaneous test year expenses should be reduced by \$3,124 and \$2,861 for water and wastewater, respectively, to remove the interest and penalty paid to this Commission for late payments.

16. For the Port Malabar Division, property taxes should be reduced by \$9,458 for water and \$36,309 for wastewater to adjust out the interest incurred for late payment of property tax assessment.

17. The utility's request to change existing miscellaneous service charges to the charges specified in Second Revised Staff

- Advisory Bulletin No. 13 be approved. OPC has taken no position.
18. For the West Coast Division, the utility's request to change to a base facility rate structure for water and wastewater service should be approved.
 19. For the West Coast Division, the utility should change its billing system to comply with Rule 25-30.335, Florida Administrative Code.
 20. For the Port Malabar Division, annual property tax expense included in the proposed AFPI calculation should be reduced by \$13,651.

VIII. Rulings

1. The Cities's request for Oral Argument on pending motions was granted and the parties were heard at the prehearing.
2. GDU's request to present live rebuttal testimony of witnesses Betschart and Maurer relating to questions raised at the customer service hearing was granted.
3. GDU's request to provide late-filed exhibits by May 18, 1992 of the updated revenue calculations that include the effect of any stipulations entered into at the prehearing conference was granted.
4. One week prior to the hearing, GDU will file an exhibit showing updated information on actual and projected rate case expense.
5. Exhibits responding to questions raised at the customer service hearings will be filed on May 18, 1992.
6. Cities' Motion to File Late-Filed Exhibits was denied for failure to show good cause why the information to be filed was not identified or discovered in a more timely manner.
7. Cities' Motion to Extend the Discovery Cut-off Date was granted to May 15th, to accommodate flexibility in scheduling depositions that have already been noticed.

IX. Exhibits

<u>Witnesses Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Fancher GDU	CEF-1	PM MFR Exhibit 5 - GDC offering statements (PM)
	CEF-2	WCD MFR Exhibit 15 - GDC offering statements (WCD)
Swain GDU	DDS-1	Testimony presented in various rate cases
	DDS-2	Revised comparison of O&M expense (schedules B-7 and B-8) (PM)
	DDS-3	PM MFR Exhibit 1A - Rate base schedules (PM)
	DDS-4	PM MFR Exhibit 1B - Net operating income (as amended by DDS-2) schedules (PM)
	DDS-5	PM MFR Exhibit 1E - Rate schedules and tariffs (PM)
	DDS-6	PM MFR Exhibit 1G - Interim rate schedules (PM)
	DDS-7	PM MFR Exhibit 1H - Assumptions and projections (PM)
	DDS-8	PM MFR Exhibit 2 - Billing analysis (PM)
	DDS-9	WCD MFR Exhibit 1A - Rate base schedules (WCD)
	DDS-10	WCD MFR Exhibit 1B - Net operating income schedules (WCD)
	DDS-11	WCD MFR Exhibit 1E - Rate schedules and tariffs (WCD)

<u>Witnesses Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Swain GDU	DDS-12	WCD MFR Exhibit 1G - Interim rate schedules (WCD)
	DDS-13	WCD MFR Exhibit 1H - Assumptions and projections (WCD)
	DDS-14	WCD MFR Exhibit 2 - Billing analysis (WCD)
Elliott GDU	TLE-1	PM MFR Exhibit 1C - Income tax schedules (PM)
	TLE-2	PM MFR Exhibit 1D - Cost of capital schedules (PM)
	TLE-3	WCD MFR Exhibit 1C - Income tax schedules (WCD)
	TLE-4	WCD MFR Exhibit 1D - Cost of capital schedules (WCD)
Guastella GDU	JFG-1	PM MFR Exhibit 1F - Engineering schedules (PM)
	JFG-2	PM MFR Exhibit 3 - Used and useful study (PM)
	JFG-3	PM MFR Exhibit 4 - Cost of service study (PM)
	JFG-4	WCD MFR Exhibit 1F - Engineering schedules (WCD)
	JFG-5	WCD MFR Exhibit 3 - Used and useful study (WCD)
	JFG-6	WCD MFR Exhibit 4 - Bulk water rate study and effluent disposal analysis (WCD)

<u>Witnesses Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Betschart GDU	BB-1	PM MFR Exhibit 6 - System maps (PM) (revised Feb. 24)
	BB-2	PM MFR Exhibit 7 - List of chemicals (PM) (revised Jan. 16)
	BB-3	PM MFR Exhibit 8 - Chemical analyses (PM)
	BB-4	PM MFR Exhibit 9 - Water and wastewater operating reports (PM)
	BB-5	PM MFR Exhibit 10 - Sanitary surveys and inspection reports (PM)
	BB-6	PM MFR Exhibit 11 - Construction and operating permits (PM)
	BB-7	PM MFR Exhibit 12 - Notices of violation, consent orders, letters of notice, and warning notices (PM)
	BB-8	PM MFR Exhibit 13 - List of employees (PM)
	BB-9	PM MFR Exhibit 14 - List of vehicles (PM)
	BB-10	PM MFR Exhibit 15 - List of complaints (PM)
Maurer GDU	MEM-1	WCD MFR Exhibit 5 - System maps (WCD) (revised Feb. 24)
	MEM-2	WCD MFR Exhibit 6 - List of chemicals (WCD) (revised Jan. 16)
	MEM-3	WCD MFR Exhibit 7 - Chemical analyses (WCD)

<u>Witnesses Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>	
Maurer GDU	MEM-4	WCD MFR Exhibit 8 - Water and wastewater operating reports (WCD)	
	MEM-5	WCD MFR Exhibit 9 - Sanitary surveys and inspection reports (WCD)	
	MEM-6	WCD MFR Exhibit 10 - Construction and operating permits (WCD)	
	MEM-7	WCD MFR Exhibit 11 - Notices of violation, consent orders, letters of notice, and warning notices (WCD)	
	MEM-8	WCD MFR Exhibit 12 - List of employees (WCD)	
	MEM-9	WCD MFR Exhibit 13 - List of vehicles (WCD)	
	MEM-10	WCD MFR Exhibit 14 - List of complaints (WCD)	
	Hartman Cities	GCH-1	Port Malabar/Palm Bay Used and Useful Analysis
		GCH-2	West Coast Used and Useful Analysis
		GCH-3	West Coast Excessive Inflow/Infiltration
GCH-4		Port Malabar/Palm Bay Excessive Inflow/Infiltration	
GCH-5		West Coast Imputed CIAC	
GCH-6		Port Malabar/Palm Bay Imputed CIAC	

<u>Witnesses Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hartman Cities	GCH-7	West Coast Schedule of Depreciation Comparison
	GCH-8	Port Malabar/Palm Bay Schedule of Depreciation Comparison
	GCH-9	West Coast Contract Water Purchase and Wholesale Water Agreements with Charlotte County
	GCH-10	West Coast Consent Order
Barrett Cities	MEB-1	Installment Land Sales Contract
	MEB-2	Calculation of Escrow Account Income Differential
	MEB-3	Calculation of Funds Available for Withdrawal from Escrow
	MEB-4	Allowance for Funds Prudently Invested Revised Calculation of Carrying Cost
	MEB-5	Calculation of Imputed Contributions-in-aid-of-Construction
	MEB-6	Recommended Cost of Capital
	MEB-7	Revised Effluent Rate Calculation
	MEB-8	Calculation of Normalized Consumption; Revised Consumption & Revenue; Revised Variable O&M

Witnesses Proffered By I.D. No. Description

**Michael E. Barrett Exhibits from Deposition
 of April 28, 1992, Submitted at the request of FPSC Staff**

Barrett	Cities	MEB-9	DEPO-4 - Stone & Webster Report
		MEB-10	DEPO-5 - Work papers for effluent rate calculation. Book depreciation schedule - effluent description designs.
		MEB-11	DEPO-7 - Letter of credit fees and remarketing fees in the issuance costs. Industrial Revenue Bond rate calculation.
		MEB-12	DEPO-9 - Escrow collection analysis report
		MEB-13	DEPO-10 - West Coast Golf Course contract
Larkin	OPC	HL-1	Various accounting schedules supporting Larkin's testimony
Welch	Staff	KLW-1	Commission Staff Audit Report for Port Malabar Division
Piedra	Staff	IHP-1	Commission Staff Audit Report for West Coast Division
McArthur	Staff	CM-1	Consent Order Between GDU and DER for West Coast Division
Afghani	Staff	JA-1	DER Sanitary Survey and GDU's Response for Port Malabar Division

<u>Witnesses</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Wall	Staff	KW-1	Permit Renewal Report and File Review for West Coast Division
<u>REBUTTAL</u>			
Swain	GDU	DDS-15	Response to Staff Audit Report (PM) (identified by GDU as DDS-3)
		DDS-16	Response to Staff Audit Report (WCD) (identified by GDU as DDS-4)
		DDS-17	Analysis of Current Service Availability Charges (PM) (identified by GDU as DDS-5)
		DDS-18	Updated revenue requirements calculation including effect of stipulations made at prehearing conference (PM) (identified by GDU as DDS-6 late-filed)
		DDS-19	Updated revenue requirements calculation including effect of stipulations made at prehearing conference (WCD) (identified by GDU as DDS-7 late-filed)
Swain	GDU	DDS-20	Revised schedule of rate case expense (identified by GDU as DDS-8 late-filed)
Elliott	GDU	TLE-4	Calculation of parent debt adjustment using interest actually paid (PM)
		TLE-5	Calculation of parent debt adjustment using interest actually paid (WCD)

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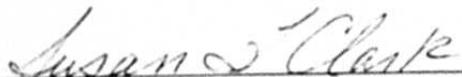
<u>Witnesses Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Elliott GDU	TLE-6	Cost of IRBs at 12/31/91 and 4/15/92
Betschart GDU	BB-11	Response to questions raised at Port Malabar customer service hearing (PM)
Maurer GDU	MEM-11	Response to questions raised at West Coast customer service hearing (WCD)

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

Based upon the foregoing, it is

ORDERED by Commissioner Susan F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings unless modified by the Commission.

By ORDER of Commissioner Susan F. Clark, as Prehearing Officer, this 19th day of May, 1992.



SUSAN F. CLARK, Commissioner
and Prehearing Officer

(S E A L)

SFC/CB/LAJ/KAC

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

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should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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

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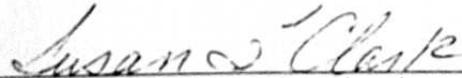
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ORDERED by Commissioner Susan F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings unless modified by the Commission.

By ORDER of Commissioner Susan F. Clark, as Prehearing Officer, this 19th day of May, 1992.



SUSAN F. CLARK, Commissioner
and Prehearing Officer

(S E A L)

SFC/CB/LAJ/KAC

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

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should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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