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COMMISSION
CLERK

August 31, 2001

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

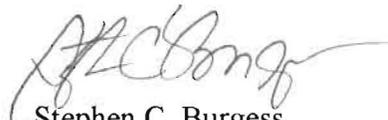
RE: Docket No. 980744-WS

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of Citizens' Amended Prehearing Statement for filing in the above-referenced docket.

Also enclosed is a 3.5 inch diskette containing Citizens' Amended Prehearing Statement in WordPerfect for Windows 6.1. Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

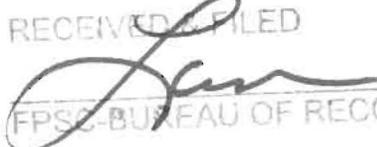
Sincerely,


Stephen C. Burgess
Deputy Public Counsel

SCB/dsb
Enclosures

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LEG 1
OPC _____
PAI _____
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SEC 1
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OTH _____

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10862-AUG 31 01

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into ratemaking)
consideration of gain on sale from)
sale of facilities of Florida Water)
Services Corporation to Orange)
County.)
_____)

Docket No. 980744-WS

Filed: August 31, 2001

CITIZENS' AMENDED PREHEARING STATEMENT

The Citizens of the State of Florida, through their attorney, the Public Counsel, consistent with Order No. PSC-00-1170-PCO-WS and Order No. PSC-01-1482-PCO-WS, hereby file this Amended Prehearing Statement.

(a) The Citizens will call Kimberly H. Dismukes as an expert witness to testify on the proper ratemaking treatment for the gain generated from Florida Water Services' sale of its Orange County water and wastewater facilities.

(b) Attached to Ms. Dismukes' testimony are: Appendix I, describing her qualifications and experience; and Schedule 1, a matrix describing positions taken by various state utility regulators on their respective treatment of gains on sale.

(c) The gain from the sale of the Orange County facilities should be attributed to Florida Water Services' customers because: the customers bear the risk of diminution in value of the facilities, so fairness dictates that they receive the benefit from an increase in value; in the electric industry, customers receive the benefit of gain (or bear the cost of loss) from the sale of utility assets, and there is no valid reason to treat water and wastewater customers differently; the most common treatment in other states' jurisdictions is to attribute gains to the customers; and in past water and

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wastewater cases where the relevant circumstances were the same as in this case, the Florida PSC has attributed the gain to customers of the utility.

(d),(e) and (f) The Citizens believe the Commission should address the following two issues, which involve elements of fact, law and policy:

ISSUE 1: How should any gain on sale be allocated between the ratepayers and shareholders?

OPC POSITION: The gain from the sale of the Orange County facilities should be attributed to Florida Water Services' customers because customers bear the risk of diminution in value of the facilities, so fairness dictates that they receive the benefit from an increase in value.

ISSUE 2: If any portion of the gain on sale is allocated to the ratepayers, what is the appropriate regulatory treatment of that allocation?

OPC POSITION: The Commission could offset the gain against Florida Water's \$9 million "regulatory asset" which resulted from court rulings in the statewide uniform rate case. The Citizens however, prefer the gain to be returned in cash payments or future billing credits.

- (g) The Citizens are not aware of any issues that have been stipulated by the parties.
- (h) The Citizens are not seeking PSC action upon any motions or other matters.
- (i) The Citizens have no pending requests of claims for confidentiality.

(j) There are no requirements of Order No. PSC 00-1170-PCO-WS that the Citizens cannot comply with.

Respectfully submitted,

Jack Shreve
Public Counsel



Stephen C. Burgess
Deputy Public Counsel

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Attorneys for the Citizens
of the State of Florida

**CERTIFICATE OF SERVICE
DOCKET NO. 980744-WS**

I HEREBY CERTIFY that a true and correct copy of the foregoing Citizens' Amended Prehearing Statement has been furnished by U.S. Mail or *hand delivery to the following parties, this 31st day of August, 2001.

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Florida Public Service Commission
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