

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of UTILITIES,)
INC. of Florida for a rate increase)
in Marion, Orange, Pasco, Pinellas,)
and Seminole Counties)

DOCKET NO. 020071-WS

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UTILITIES, INC. OF FLORIDA

PREHEARING STATEMENT

Pursuant to Order No. PSC-02-1495-PCO-WS, issued October 31, 2002, as revised by Order No. PSC-02-1808-PCO-WS, issued December 20, 2002 and Order No. PSC-03-0389-PCO-WS, issued March 20, 2003, Utilities, Inc. of Florida ("UIF" or the "Utility"), by and through its undersigned counsel, files its prehearing statement as follows:

A. All Known Witnesses

UIF intends to call the following witnesses:

Witness Name	Title	Subject
Pauline M. Ahern	Vice President, AUS Consultants - Utility Services	Leverage formula, cost of capital
Patrick C. Flynn	Regional Director of Operations, UIF	Regulatory requirements, construction costs and expenses, quality of service, growth projections and demographic shifts relating to water and wastewater systems located within Pasco and Pinellas counties
Hugh A. Gower	Consultant	Proper accounting treatment of gains or losses on sale of utility property

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Steven M. Lubertozzi	Director, Regulatory Accounting, Utilities, Inc.	UIF and the requirements imposed on UIF by regulatory authorities, and issues relating to rate of return, operating expenses, income, rates and rate model, growth projections, rate case expense and revenue requirements and projections, staffing levels, rate case expense, rate model, conservation plan and quality of service
David L. Orr	Regional Manager, Utilities, Inc.	Regulatory requirements, construction costs and expenses, quality of service, growth projections and demographic shifts relating to water and wastewater systems located within Marion, Seminole, and Orange counties
Frank Seidman	President, Management and Regulatory Consultants, Inc.	Used and useful calculations

UIF reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony and witnesses to address issues not presently designated but that may be designated by the Prehearing Officer at the prehearing conference on August 4, 2003.

B. All Known Exhibits

UIF has identified and intends to sponsor the following exhibits:

Exhibit No.	Description	Person/s Sponsoring	Cross-Reference
	Composite MFRs	S. Lubertozzi	SML-1 (as amended)
	Billing Analysis Schedules	S. Lubertozzi	SML-2

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Calculations of Retirement Period	S. Lubertozi	SML-3
Contract between City of Maitland and UIF	S. Lubertozi	SML-4
Contract between City of Altamonte Springs and UIF	S. Lubertozi	SML-5
Summary Actual and Estimated Rate Case Expense	S. Lubertozi	SML-6
Rate Case Expense - Supporting Documentation	S. Lubertozi	SML-7
Response by Cypress Lakes Utilities, Inc. to Order to Show Cause in Docket No. 020407	S. Lubertozi	SML-8
System-specific Rate Base Schedules	S. Lubertozi	SML-9
Responses to Staff Audit Report - UIF Audit Control No. 02-249-3-1	S. Lubertozi	SML-10
Responses to Staff Audit Report - WSC Audit Control No. 02-122-3-1	S. Lubertozi	SML-11
Additional Response to Staff Audit Exception No. 5 - UIF Audit Control No. 02-249-3-1		SML-12
Additional Engineering Information per Rule 25-30.440, FAC	D. Orr, P. Flynn	DWR-1
Detailed System Maps	D. Orr	DWR-2

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Engineering Schedules to MFRs	F. Seidman	FS-1
List of Systems Evaluated	F. Seidman	FS-2
Summary Description of Each Water and/or Wastewater System, By County	F. Seidman	FS-3
Corrected "F-1", "F-3" and "F-5" Schedules	F. Seidman	FS-4
Results of Fire Flow Tests - Crownwood	F. Seidman	FS-5
Analysis of I&I	F. Seidman	FS-6
Distribution and Collection Systems - U&U Previously Determined	F. Seidman	FS-7
U&U Calculations for Marion County-Golden Hills/Crownwood	F. Seidman	FS-8
System by System Comparison of U&U to 10 States' Standards	F. Seidman	FS-9
Analysis of U&U for Systems - Storage	F. Seidman	FS-10
Responses to DEP Inspections	D. Orr	DLO-1-4
Professional Qualifications of Pauline M. Ahern	P. Ahern	PMA-1
Recommended Common Equity Cost Rate	P. Ahern	PMA-2

UIF may utilize other documents as exhibits at the time of hearing, either during cross examination or as further impeachment or rebuttal exhibits and the precise identification of such documents cannot be determined at this time.

C. UIF's Statement of Basic Position

UIF is entitled to a rate increase as contained within its revised and final application and MFRs presented with the initial application and the increased water and wastewater revenues as specified therein.

D. Issues & UIF's Positions

The following are issues identified by UIF and its positions on these issues.

QUALITY OF SERVICE

ISSUE 1: Is the quality of service satisfactory?

POSITION: Yes. (Mr. Orr and Mr. Flynn)

RATE BASE

Total Plant in Service

ISSUE 2: Are the rate base allocations from Water Service Corporation reasonable?

POSITION: Yes. (Mr. Lubertozzi)

ISSUE 3: What is the appropriate amount for water plant in service for each county?

POSITION:

County	Plant in Service (\$)
Marion	652,526
Orange	195,192

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Pasco	1,629,899
Pinellas	380,482
Seminole	2,479,284

(Mr. Lubertozzi)

ISSUE 4: What is the appropriate amount for wastewater plant in service for each county?

POSITION:

County	Plant in Service (\$)
Marion	10,229
Orange	
Pasco	1,006,546
Pinellas	
Seminole	2,324,117

(Mr. Lubertozzi)

Water Treatment Plant Used and Useful

ISSUE 5: What are the used and useful percentages for the water treatment plants?

POSITION: 100% for all water systems. (Mr. Seidman)

Unaccounted For Water

ISSUE 6: Does UIF have excessive unaccounted for water, and if so, what adjustments should be made?

POSITION: No. (Mr. Seidman)

Wastewater Treatment Plant Used and Useful

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ISSUE 7: What are the used and useful percentages for the wastewater treatment plants?

POSITION: 100% for all systems except the Golden Hills/Crownwood system, which is 68.72%.
(Mr. Seidman)

ISSUE 8: Does UIF have excessive inflow and infiltration for wastewater?

POSITION: Yes, for Ravenna Park/Lincoln Heights system. No position at this time regarding adjustments. (Mr. Seidman).

Water and Wastewater Lines Used and Useful

ISSUE 9: What are the used and useful percentages for the water distribution systems?

POSITION: 100% (Mr. Seidman)

ISSUE 10: What are the used and useful percentages for the wastewater collection lines?

POSITION: 100% (Mr. Seidman)

CIAC and Accumulated Amortization of CIAC

ISSUE 11: What is the appropriate amount of accumulated depreciation for water for each county?

POSITION:

County	Accumulated Depreciation (S)
Marion	(302,225)
Orange	(105,540)
Pasco	(573,642)
Pinellas	(69,149)
Seminole	• (1,224,197)

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(Mr. Lubertozzi)

ISSUE 12: What is the appropriate amount of accumulated depreciation for wastewater for each county?

POSITION:

County	Accumulated Depreciation (\$)
Marion	(64,041)
Orange	
Pasco	(323,941)
Pinellas	
Seminole	(774,978)

(Mr. Lubertozzi)

ISSUE 13: What is the appropriate amount of CIAC for water for each county?

POSITION:

County	CIAC (\$)
Marion	(134,337)
Orange	(38,403)
Pasco	(466,708)
Pinellas	(138,847)
Seminole	(737,162)

(Mr. Lubertozzi)

ISSUE 14: What is the appropriate amount of CIAC for wastewater for each county?

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POSITION:

County	CIAC (\$)
Marion	(450)
Orange	
Pasco	(463,032)
Pinellas	
Seminole	(610,051)

(Mr. Lubertozzi)

ISSUE 15: What is the appropriate accumulated amortization of contributed CIAC for water for each county?

POSITION:

County	Accumulated Amortization of CIAC (\$)
Marion	44,137
Orange	21,337
Pasco	158,830
Pinellas	42,423
Seminole	475,217

(Mr. Lubertozzi)

ISSUE 16: What is the appropriate accumulated amortization of contributed CIAC for wastewater for each county?

POSITION:

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County	Accumulated Amortization of CIAC (\$)
Marion	18
Orange	
Pasco	119,079
Pinellas	
Seminole	380,218

(Mr. Lubertozi)

Working Capital Allowance

ISSUE 17: What is the appropriate working capital allowance for water for each county?

POSITION:

County	Working Capital Allowance (\$)
Marion	114,826
Orange	80,701
Pasco	244,252
Pinellas	31,222
Seminole	397,399

(Mr. Lubertozi)

ISSUE 18: What is the appropriate working capital allowance for wastewater for each county?

POSITION:

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County	Working Capital Allowance (\$)
Marion	44,914
Orange	
Pasco	255,410
Pinellas	
Seminole	465,807

(Mr. Lubertozi)

Test Year Rate Base

ISSUE 19: What is the appropriate rate base for water for each county?

POSITION:

County	Rate Base
Marion	379,821
Orange	157,280
Pasco	1,060,577
Pinellas	252,881
Seminole	1,701,501

(Mr. Lubertozi)

ISSUE 20: What is the appropriate rate base for wastewater for each county?

POSITION:

County	Rate Base
Marion	200,720

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Orange	
Pasco	613,009
Pinellas	
Seminole	1,967,472

(Mr. Lubertozi)

COST OF CAPITAL

Weighted Cost of Capital

ISSUE 21: What is the appropriate allowed return on common equity in this case?

POSITION: 10.91% as set by the Commission in accordance with the leverage formula. Ms. Pauline Ahern will address this issue.

ISSUE 22: What is the appropriate cost of overall rate of return for water and wastewater for county?

POSITION:

County	Rate of Return Water (%)	Rate of Return Wastewater (%)
Marion	9.34	9.34
Orange	9.10	
Pasco	9.27	9.29
Pinellas	9.19	
Seminole	9.27	9.29

(Mr. Lubertozi)

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ISSUE 23: What is the appropriate cost of capital for water and wastewater for county?

POSITION:

County	Rate of Return Water (%)	Rate of Return Wastewater (%)
Marion	9.34	9.34
Orange	9.10	
Pasco	9.29	9.29
Pinellas	9.19	
Seminole	9.29	9.29

(Mr. Lubertozzi)

NET OPERATING INCOME

ISSUE 24: Should adjustments be made to test year expense for excessive lost and unaccounted for water?

POSITION: No. (Mr. Seidman)

ISSUE 25: Should adjustments be made to expenses for excessive inflow and infiltration?

POSITION: No position at this time. (Mr. Seidman).

WSC Common Expense Allocation

ISSUE 26: Are the allocations of salary expense of WSC and UI to each of the systems in this rate case appropriate?

POSITION: Yes. (Mr. Lubertozzi)

Rate Case Expense

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ISSUE 27: What is the appropriate amount of rate case expense?

POSITION: The total as per the rebuttal update and the most recent information to be provided as a late-filed exhibit in this case. (Mr. Lubertozi)

ISSUE 28: Should the Utility be permitted to recover as rate case expense legal, accounting and engineering fees and expenses associated with the amendment of the MFR's filed in this case due to errors discovered by staff?

POSITION: Yes. (Mr. Lubertozi)

ISSUE 29: What are the appropriate amounts by which rates should be reduced four years after the established effective date to reflect removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

POSITION: These are fallout amounts that will result from the resolution of other issues in this case. (Mr. Lubertozi)

Test Year Net Operating Income

ISSUE 30: What is the appropriate amount of net operating income for water for each county?

POSITION:

County	Net Operating Income (\$)
Marion	35,459
Orange	14,311
Pasco	98,298
Pinellas	23,241
Seminole	157,747

(Mr. Lubertozi)

ISSUE 31: What is the appropriate amount of net operating income for wastewater for each county?

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POSITION:

County	Net Operating Income (\$)
Marion	11,522
Orange	
Pasco	56,975
Pinellas	
Seminole	182,828

(Mr. Lubertozi)

REVENUE REQUIREMENT

ISSUE 32: What are the appropriate revenue requirements for water for each county?

POSITION:

County	Revenue Requirement (\$)
Marion	200,720
Orange	161,417
Pasco	526,389
Pinellas	157,746
Seminole	776,566

(Mr. Lubertozi)

ISSUE 33: What are the appropriate revenue requirements for wastewater for each county?

POSITION:

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County	Revenue Requirement (\$)
Marion	63,846
Orange	
Pasco	364,345
Pinellas	
Seminole	856,109

(Mr. Lubertozi)

RATES AND RATE STRUCTURE

Inclining Block Rate Structure

ISSUE 34: Should UIF adopt an inclining block rate structure for some, if not all, of the systems?

POSITION: UIF takes no position on rate structure so long as it results in the requested revenues.

Water Rate Structure

ISSUE 35: What are the appropriate water rate structure for UIF?

POSITION: UIF takes no position on rate structure so long as it results in the requested revenues.

Wastewater Rate Structure

ISSUE 36: What are the appropriate wastewater rate structure for UIF?

POSITION: UIF takes no position on rate structure so long as it results in the requested revenues.

Water and Wastewater Rates

ISSUE 37: What are the appropriate monthly rates for service?

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POSITION: As set forth in the MFRs, as amended. (Mr. Lubertozzi)

Service Availability Fees and Other Charges

ISSUE 38: Should the service availability charges applicable to the Lincoln Heights system be adjusted to reflect the charge to City of Sanford?

POSITION: Yes. (Mr. Lubertozzi)

GAIN ON SALE

ISSUE 39: Should gains or losses on the sale of utility assets be included in cost of service for rate setting purposes?

POSITION: No. (Mr. Gower)

ISSUE 40: Should gains realized on the gains of the sales of the Druid Isle system and part of the Oakland Shores system to the City of Maitland and the Green Acres campground system to the City of Altamonte Springs be allocated to the remaining rate payers of these systems?

POSITION: No. (Mr. Gower)

E. Legal Issues and UIF's Positions

None at this time.

F. Policy Questions and UIF Positions

None at this time.

G. Stipulated Issues

None at this time.

H. Pending Motions and Other Matters

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The Office of Public Counsel has recently filed a Motion to Compel responses to certain interrogatories and requests for production propounded to UIF, to which UIF has timely objected. In addition, UIF has filed objections to OPC's Fifteenth Set of Interrogatories and Fifteenth Set of Requests for Production of Documents. Both matters are pending. No hearing has been scheduled.

I. Pending Requests or Claims for Confidentiality

ISSUE : Should the Commission's Order Granting Confidential Classification, PSC-03-0410-CFO-WS, in Docket No. 021173-WS (relating to the confidentiality of certain information produced to Commission Staff in connection with Audit Control No. 02-122-3-1) dated March 25, 2003, be extended?

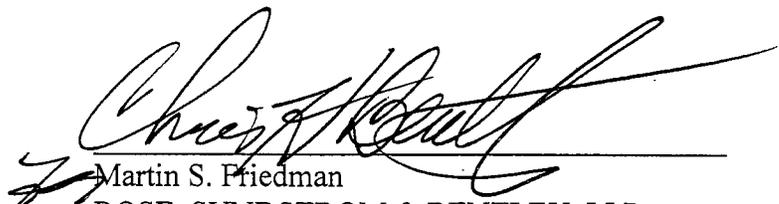
POSITION: Yes.

J. Requirements of Order Establishing Procedure that UIF Cannot Comply With

None known at this time.

K. Objections to Qualifications of Witnesses as Experts

None known at this time.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the **Prehearing Statement** of Utilities,
Inc. of Florida has been furnished via Hand Delivery to the following on this 30th day of June, 2003:

Rosanne Gervasi, Esquire
Lorena Holley, Esquire
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
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