

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase
in wastewater rates in Seven
Springs System in Pasco County
by Aloha Utilities, Inc.

DOCKET NO. 991643-SU
ORDER NO. PSC-00-1747-PHO-SU
ISSUED: September 26, 2000

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on September 18, 2000, in Tallahassee, Florida, before Commissioner Lila A. Jaber, as Prehearing Officer.

APPEARANCES:

F. MARSHALL DETERDING, and JOHN L. WHARTON, ESQUIRES, ROSE, SUNDSTROM & BENTLEY, LLP, 2548 Blairstone Pines Drive, Tallahassee, Florida 32303
On behalf of Aloha Utilities, Inc.

STEVE BURGESS, ESQUIRE, OFFICE OF PUBLIC COUNSEL, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

RALPH R. JAEGER and JASON K. FUDGE, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Commission Staff.

PREHEARING ORDER AND ORDER REVISING ORDER ESTABLISHING PROCEDURE

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

II. CASE BACKGROUND

Aloha Utilities, Inc. (Aloha or utility), is a Class A water and wastewater utility in Pasco County. The utility consists of two distinct service areas, Aloha Gardens and Seven Springs. These

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service areas are physically divided by U.S. Highway 19, the major north/south highway through Pinellas and Pasco Counties. The utility's service area is located within the Northern Tampa Bay Water Use Caution Area as designated by the Southwest Florida Water Management District (SWFWMD). Critical water supply concerns have been identified by SWFWMD within this area.

In its 1998 annual report, Aloha reported operating revenues of \$2,046,925 and \$3,340,293 for water and wastewater, respectively. In 1998, the utility served 11,732 water and 11,193 wastewater customers. Rate base was last established for Aloha's Seven Springs wastewater system by Order No. PSC-99-1917-PAA-WS, issued September 28, 1999, in Dockets Nos. 970536-WS and 980245-WS. This Order was consummated by Order No. PSC-99-2083-CO-WS, issued October 21, 1999.

On February 9, 2000, Aloha filed an application for an increase in rates for its Seven Springs wastewater system. The utility was notified of several deficiencies in the minimum filing requirements (MFRs). Those deficiencies were corrected and the official filing date was established as April 4, 2000, pursuant to Section 367.083, Florida Statutes.

Aloha's requested test year for interim purposes is the historical year ended September 30, 1999. The utility's requested test year for the setting of final rates is the projected year ended September 30, 2001. Also, the utility requested that this application be directly set for hearing.

On May 3, 2000, the Commission issued its Order Establishing Procedure, Order No. PSC-00-0872-PCO-SU. That Order set the dates for the filing of testimony and other documents and the procedures to be followed in this case. That Order initially required OPC and staff to prefile their testimony on July 17, 2000 and August 14, 2000.

In its MFRs, the utility requested annual interim revenues of \$2,568,801. This would have represented a revenue increase of \$48,532 (or 1.92%). For final consideration, the utility has requested total revenues of \$4,374,495. This represents a revenue increase of \$1,593,501 (or 57.29%). The final revenues are based on the utility's request for an overall rate of return of 9.24%.

On May 16, 2000, the Commission voted to deny interim rates and suspend the utility's proposed rates. This vote was

commemorated by issuance of Order No. PSC-00-1065-PCO-SU on June 5, 2000.

On June 27, 2000, the Office of Public Counsel filed its Notice of Intervention. By Order No. PSC-00-1175-PCO-SU, issued June 29, 2000, the Commission acknowledged OPC's intervention.

Because of a discovery dispute, both OPC and Staff requested a two-week extension in which to prefile their testimony. By Order No. PSC-00-1288-PCO-SU, issued July 17, 2000, the Prehearing Officer granted Staff's and OPC's request for extension of time. Because that order contained several sentences that were not necessary for the ruling, the Commission voted to vacate the Order and issued a new Order, which also allowed OPC and Staff a two-week extension of time to prefile their testimony, and allowed the utility a two-week extension until September 11, 2000, in which to prefile its rebuttal testimony.

OPC timely filed its testimony on July 31, 2000, and our Staff timely filed its testimony on August 28, 2000. OPC and Staff also timely filed their prehearing statements on September 5, 2000. However, Aloha was granted an extension of time and filed its prehearing statement on September 8, 2000.

OPC timely filed the rebuttal testimony of Ted L. Biddy on September 11, 2000. Also, Aloha was granted a one-day extension and filed its rebuttal testimony on September 12, 2000.

To consolidate the issues and positions of the parties and staff and promote the just, speedy, and inexpensive determination of all aspects of the case, a Prehearing Conference was held on September 18, 2000. The case is now set for hearing in Pasco County on October 2 and 3, 2000.

III. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used

in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 367.156, Florida Statutes.

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

1. Any party intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

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

- a) 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.
- b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- c) 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.

- d) 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.
- e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting's confidential files.

IV. POST-HEARING PROCEDURES

Each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

With the exception of Stephen G. Watford, being called as an adverse witness by Staff, testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted

into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. **However, oral summaries shall be limited to five minutes.** Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

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

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

VI. ORDER OF WITNESSES

OCTOBER 2-3, 2000 HEARING

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Robert C. Nixon	Aloha	2, 4, 7, 9, 10, 11, 12, 13, 14, 16, 17, 18, 20, 21, 22, 23, 31, 32, 33, 34, 35, 36, 37, 39, 42
David W. Porter	Aloha	2, 3, 6, 7
Hugh Larkin	OPC	4, 5, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 38
Ted L. Bidy	OPC	2, 3, 6, 7, 8, 27, 29
David MacColeman*	Staff	1, 2, 3, 6

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Paul Stallcup**	Staff	18
James A. McPherson	Staff	10,15,26
Thomas E. Stambaugh	Staff	4,21,26,33
Patricia Merchant	Staff	15,20,31,37,38,39,41,42
Stephen G. Watford***	Staff	20,39

Rebuttal

Robert C. Nixon	Aloha	2,4,5,7,8,9,10,11,12,13, 14,15,16,17,18,19,20,21,22, 23,34,35,26,27,28,29,30, 31,32,33,34,,35,36,37,38, 39,40, 42
David Porter	Aloha	2,3,6,7,8,20,26,27,29,31
F. Marshall Deterding	Aloha	31
Stephen G. Watford	Aloha	2,3,6,7,8,11,21,22,23,24, 25,26,27,28,29,30,31,33, 37,40,41,42
Ted L. Bidy	OPC	6,7,8

NOVEMBER 2, 2000 HEARING

<u>Witness</u>	<u>Proffered By</u>	<u>Issue #</u>
<u>Supplemental Direct</u>		
Stephen G. Watford	Aloha	5

*The parties have agreed that the prefiled testimony of David MacColeman may be inserted into the record as though read, and that he will not be subject to cross-examination and may be excused from the hearing.

**The parties have agreed that the testimony of Paul Stallcup shall be taken immediately after the conclusion of the customer testimony.

***Staff is calling Stephen G. Watford as an adverse witness and will be cross-examining him on the availability of reuse customers.

VII. BASIC POSITIONS

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

OPC: The wastewater rates sought by Aloha Utilities, Inc. for its Seven Springs System are excessive.

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 submitted at hearing is analyzed. Except where Staff has testified, Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions. Testifying staff's positions are set forth in their respective testimonies.

VIII. ISSUES AND POSITIONS

QUALITY OF SERVICE

ISSUE 1: Is the quality of service satisfactory?

POSITIONS

ALOHA: Yes. The utility is providing a service in conformance with all applicable standards, including full compliance with the requirements of the Consent Agreement entered into between the utility and DEP. (Porter)

OPC: The quality of service cannot be determined until the customers have testified at the hearing. (Customers, possibly Bidy)

STAFF: For testifying Staff, the utility is the subject of an enforcement action and is required to comply with the provisions contained in the Amended and Restated Consent Final Judgement (ARCFJ). (MacColeman) For non-testifying Staff, the quality of service will depend on the results of customer testimony at the hearing.

RATE BASE

ISSUE 2: Are the proposed modifications and expansion of the Aloha wastewater treatment plant prudent and justified?

POSITIONS

ALOHA: Yes. They are not only prudent, but they are required pursuant to a Consent Final Judgement with the Florida Department of Environmental Protection and are prerequisites to the Utility being allowed to provide reuse service to any paying customer. (Porter, Watford & Nixon)

OPC: The Citizens do not take issue with Aloha's construction decisions. The Citizens believe, however, that Aloha's modification and expansion projects are sized to serve substantial future growth. Accordingly, used and useful adjustments must be made to properly allocate the cost of these projects. (Bidy)

STAFF: Yes. For non-testifying Staff, Staff's position is that the proposed modification and expansion are prudent. For testifying Staff, Staff's position is that the modifications and expansion of the Aloha wastewater treatment plant are required by the Florida Department of Environmental Protection in order to meet the Class I reliability standards necessary to provide properly treated effluent suitable for unrestricted access reuse and to meet additional capacity requirements. (MacColeman)

ISSUE 3: Are the costs of the utility's infiltration and inflow reduction program prudent?

POSITIONS

ALOHA: Yes. (Porter & Watford)

OPC: The Citizens do not dispute the prudence of the costs. However, because the entire costs (including projected future costs) are included in the test year, fairness dictates that the entire effect of the I/I reduction also be recognized. Flows, electric usage and chemicals must reflect the future reductions of the program. (Biddy)

STAFF: For non-testifying Staff, yes. For testifying Staff, in an Amended and Restated Consent Final Judgement between DEP and Aloha, the utility is credited with additional flow by reducing inflow into the collection/transmission system or repairing sources of infiltration. (MacColeman)

ISSUE 4: Should the utility be allowed to capitalize invoices previously expensed?

POSITIONS

ALOHA: Yes, in keeping with longstanding Commission policy and appropriate accounting treatment, these items should be capitalized. The Utility did not overearn, even with this change, during any of the years the items were expensed. (Nixon)

OPC: Agree with staff. (Larkin)

STAFF: No. The capitalization of these previously expensed items would constitute double recovery and should be disallowed. Thus, the Seven Springs wastewater system's plant should be reduced by \$127,232 and accumulated depreciation should be reduced by \$76,548. Depreciation expense should also be reduced by \$6,675. (Stambaugh)

ISSUE 5: Should the Commission consider the new office building cost for the utility in this rate proceeding?

ALOHA: Yes. Because of the unforeseen requirement of the Utility to vacate its main office building, the Utility will incur substantially higher costs for obtaining new office space totaling an annual expense effect of \$58,522. This change was unknown and unforeseeable at the time the application and direct testimony were filed. This known change should be recognized. (Nixon & Watford)

OPC: OPC's position is dependent upon further development of the record. (Larkin)

STAFF: Staff's position is dependent upon further development of the record.

ISSUE 6: Does Aloha have excessive infiltration and inflow (I&I)?

POSITIONS

ALOHA: No. The Utility's infiltration and inflow is minimal, well below engineering standards and deemed by DEP to be not excessive. (Porter & Watford)

OPC: Yes, Aloha does have excessive infiltration and inflow (I/I), and is currently undertaking a project to reduce its I/I. The entire costs (including projected future costs) have been included in the projected test year. Accordingly, the results of the I/I reduction should also be considered in the flows for calculating U&U. (Bidly)

STAFF: For non-testifying Staff, Staff's position will depend upon further development of the record. For testifying Staff, Staff's position is that Aloha is experiencing I&I flows which, when added to seasonal peak flows, caused total flows to reach and sometimes exceed the capacity of the existing plant. Therefore, DEP ordered Aloha to take appropriate steps to further decrease its I&I flows. (MacColeman)

ISSUE 7: What is the used and useful percentage of the wastewater treatment plant and the wastewater collection system?

POSITIONS

ALOHA: Both the wastewater treatment facilities and the collection system are 100% used and useful, along with all trunk lines and associated maintenance expenses. In addition, the plant is all reuse facilities and the collection system is 100% contributed. (Porter, Watford & Nixon)

OPC: The proper U&U percentage should be 78.7% for the wastewater collection system. The WWTP should be considered 72.97% U&U. (Bidby)

STAFF: The wastewater treatment plant, collection lines and trunks, and associated maintenance costs should all be considered 100% used and useful.

ISSUE 8: Should a used and useful adjustment be applied to the reuse facilities?

ALOHA: No. All reuse facilities are required to be recovered in rates, pursuant to Section 367.0817, Florida Statutes and Section 403.064, Florida Statutes. In addition, even by traditional methods applied to non-reuse facilities were applied to these reuse facilities they are still 100% used and useful. (Porter, Watford & Nixon)

OPC: Yes, the reuse facilities should be considered 72.97% used and useful. (Bidby)

STAFF: Pursuant to Section 367.0817(3), Florida Statutes, and as ruled on in Southern States Utilities, Inc. v. FPSC, 714 So. 2d 1046 (Fla. 1st DCA 1998), all prudent costs of a reuse project shall be recovered in rates.

ISSUE 9: Are any adjustments necessary to test year CIAC and accumulated amortization of CIAC for changes in projection methodology?

POSITIONS

ALOHA: No such adjustments are appropriate. (Nixon)

OPC: No.

STAFF: Adjustments may be necessary if the Commission changes the utility's projected customer growth rate or plant capacity charges.

ISSUE 10: What is the appropriate regulatory treatment of contributed taxes and accumulated deferred income taxes?

POSITIONS

ALOHA: These should be given the treatment required by PSC Orders 23541 and 16971 and as per Nixon's Rebuttal Testimony. (Nixon)

OPC: Agree with staff. (Larkin)

STAFF: Contributed taxes should be reflected as CIAC and included in rate base. The amortization of contributed taxes should be reflected as accumulated amortization of CIAC and also included in rate base. Used and useful debit deferred income taxes should be offset with used and useful credit deferred income taxes. Because the utility has a net debit balance, the net amount should be included as an addition to rate base. Credit deferred income taxes should be removed from the capital structure. (McPherson)

ISSUE 11: Should the cash operating account balance be removed from the working capital calculation?

POSITIONS

ALOHA: No. The interest is reported above-the-line and to penalize the Utility in the working capital calculation would result in this and all other Utilities' refusal to use interest bearing sweep accounts that benefit the customers. The staff auditors concurred with this treatment. (Nixon & Watford)

OPC: Yes, the balance is excessive and has not been adequately explained. (Larkin)

STAFF: No. Either the interest bearing account should be excluded from the working capital calculation, or it

should be included as long as the interest income from the account is included in above-the-line revenues.

ISSUE 12: Are any adjustments necessary to the working capital allowance for rate case expense?

POSITIONS

ALOHA: Yes, the full investment in rate case expenses must be recognized in the working capital calculation. (Nixon)

OPC: Yes, the working capital allowance should be reduced by \$12,500 for removal of the costs associated with the MFR deficiencies. (Larkin)

STAFF: Yes. Working capital should be adjusted to reflect the 13-month average unamortized balance of rate case expense approved by the Commission.

ISSUE 13: What is the appropriate working capital allowance?

POSITIONS

ALOHA: The appropriate amount is subject to the resolution of other issues. (Nixon)

OPC: This amount is dependent on the outcome of other issues to be decided at the formal hearing. However, at the time OPC filed testimony, adjusted working capital totaled \$210,569. (Larkin)

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

ISSUE 14: What is the appropriate projected rate base?

POSITIONS

ALOHA: The appropriate amount is subject to the resolution of other issues. (Nixon)

OPC: The appropriate amount is subject to the resolution of other issues. (Larkin)

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

COST OF CAPITAL

ISSUE 15: Should any adjustments be made to retained earnings and customer deposits to determine the overall cost of capital?

POSITIONS

ALOHA: Yes. Aloha agrees with Ms. Merchant's adjustment for this item. (Nixon)

OPC: This amount is dependent on company responses to discovery and cross examination at the hearing. (Larkin)

STAFF: Yes. Retained earnings should be reduced by \$172,806 because of an overstatement of the thirteen-month average balance by the utility. (McPherson) In addition, the final projected September 30, 2001 customer deposits balance should be \$438,412, resulting in a \$345,117 reduction in retained earnings. (Merchant)

ISSUE 16: What is the appropriate weighted average cost of capital for the projected test year ending September 30, 2001?

POSITIONS

ALOHA: The overall cost of capital to be utilized for its projected test year ended September 30, 2001 is 9.24% as contained in its revised MFRs. To the extent the Commission's leverage formula return on equity changes between the time of the original filing in this case and the Final Order, the return on common equity should be updated to reflect the cost rate yielded by the most current leverage formula in effect at the time of that Final Order. (Nixon)

OPC: The appropriate amount is subject to the resolution of other issues. (Larkin)

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

ISSUE 17: What is the appropriate prospective Allowance for Funds Used During Construction rate for Aloha?

POSITIONS

ALOHA: The appropriate amount is subject to the resolution of other issues. (Nixon)

OPC: The appropriate amount is subject to the resolution of other issues. (Larkin)

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

NET OPERATING INCOME

ISSUE 18: What is the appropriate method of projecting customers and consumption for the projected year ending September 30, 2001, and what changes, if any, are appropriate to the utility's projection factors?

POSITIONS

ALOHA: The Commission should utilize those projection factors required pursuant to Commission Rule and as contained in Aloha's MFR filing, which is a simple regression over a historic five-year period. Aloha is unaware of any circumstances which would suggest deviation from the longstanding policy and rule required methodology. (Nixon)

OPC: The method used to construct the projections contained in Aloha's revised MFRs.

STAFF: The appropriate method of projecting customers and consumption for the projected year ending September 30, 2001 is the method presented in the utility's revised MFR Schedule F-10. The appropriate changes to be made to the utility's projection factors are that the utility's projection factor of 1.08535 should be changed to

1.07093, and the utility's projection factor of 1.04812 should be changed to 1.03486. (Stallcup)

ISSUE 19: What adjustments, if any, are necessary to the 2001 projected test year revenues and expenses to reflect the appropriate number of wastewater customers, bills, and consumption?

POSITIONS

ALOHA: As per the revised MFRs, adjustments may be necessary to the extent the Commission changes the Utility's projected customer growth rate. (Nixon)

OPC: None.

STAFF: Adjustments may be necessary if the Commission changes the utility's projected customer growth rate.

ISSUE 20: What is the appropriate amount of reuse revenue to include in the test year?

POSITIONS

ALOHA: While the staff calculation is mathematically correct based on the information provided on gallons of reuse to be sold, the information concerning expected paying customers was in error. The \$60,620 calculated by the staff utilizing the new proposed rate is extremely optimistic, based on the fact that the Fox Hollow Golf Course will not be paying any reuse charges for the first four years of its receiving reuse water. (Nixon, Porter & Watford)

OPC: Agree with staff. (Larkin)

STAFF: The appropriate amount of test year reuse revenue is \$60,620. However, Staff's position may change pending further development of the record. (Merchant)

ISSUE 21: What is the appropriate salary for Aloha's vice-president?

POSITIONS

- ALOHA:** The salary proposed in the MFRs and charged for the historic test year. (Nixon & Watford)
- OPC:** Account 703 Salaries & Wages - Officers, should be reduced by \$15,507; Account 704 Employee Pensions & Benefits should be reduced by \$5,319; and Account 408 - Payroll Taxes should be reduced by \$1,392. These adjustments are consistent with Staff Audit Disclosure No. 4 in this Docket and prior Commission Order No. PSC-99-1917-PAA-WS. (Larkin)
- STAFF:** The vice-president's salary should be 20% of the president's salary. As a result, Salary & Wages - Officers, and Employee Benefits for the Seven Springs wastewater system should be reduced by \$15,507 and \$5,319, respectively. Payroll taxes should also be reduced by \$1,392. (Stambaugh)
- ISSUE 22:** Should an adjustment be made to remove expenses associated with an administrative employee?

POSITIONS

- ALOHA:** No. That employee is a necessary addition to the staff of Aloha, not only because of under staffing during the test year, but additionally because of the requirements imposed by the DEP. (Nixon & Watford)
- OPC:** Yes. A third employee was not required by the consent final judgment issued by DEP and Salaries and Wages and Pensions and Benefits should be reduced by a total of \$6,269, the allocated portion of the administrative position. (Larkin)
- STAFF:** Salaries and wages and pensions and benefits associated with this employee should be disallowed unless the record reflects that this amount is justified.
- ISSUE 23:** Should the cost of the annual financial audit be allocated to all of the utility's systems?

POSITIONS

- ALOHA:** No. The financial audit is required as part of the financing arrangement related to the Seven Springs wastewater system and relates solely to the financing for the improvements to that system. Allocating these costs to other systems is inappropriate and results in a precedent that must be applied in the reverse in future cases, if adopted here. (Nixon & Watford)
- OPC:** Yes. This bank loan benefitted divisions other than Seven Springs. Account 732 - Contractual Services, should be reduced by \$3,444, representing 14.35% of the \$24,000 audit costs incurred. (Larkin)
- STAFF:** Yes. The annual \$24,000 cost of the financial audit should be allocated consistent with the utility's equivalent residential connection (ERC) allocation method for Contractual Services -- Accounting. Thus, Contractual Services -- Accounting should be reduced by \$15,360.
- ISSUE 24:** Should any additional adjustments be made to Contractual Services - Accounting, for non-recurring costs?

POSITIONS

- ALOHA:** No adjustments should be made to reduce contractual services - accounting for nonrecurring expenses. (Nixon & Watford)
- OPC:** Agree with staff. (Larkin)
- STAFF:** Accounting expenses for the Seven Springs wastewater system should be reduced by \$1,113 to remove non-recurring fees associated with the implementation of the new accounting software system. (McPherson)
- ISSUE 25:** Should an adjustment be made to Contractual Services -- Accounting, as a result of the Company hiring a new comptroller?

POSITIONS

ALOHA: No adjustment is appropriate. The new Comptroller is less experienced than the old Comptroller and less knowledgeable in Utility matters, in addition to the fact that the prior Comptroller had substantial experience with, and knowledge of, Aloha Utilities. In fact, Aloha believes that it would probably be appropriate to include additional outside accounting expenses because of the new Comptroller's experience, knowledge, and training as compared to the prior Comptroller. (Nixon & Watford)

OPC: Yes. As a result of the Comptroller's accounting expertise, Aloha has less need to rely on outside accounting services to maintain the company's books and records. Account 732 - Contractual Services - Accounting, should be reduced by \$7,449 to reflect the savings as a result of hiring this new employee. (Larkin)

STAFF: Contractual Services -- Accounting should be reduced to reflect any savings that are generated by the hiring of a new comptroller.

ISSUE 26: Should any adjustments be made to remove expenses associated with the settlement of the DEP enforcement action?

POSITIONS

ALOHA: Yes. Those related to the enforcement action should be amortized over five years. However, the initial audit position removed far more than were related to the enforcement action. Those expenses related to annual recurring functions should have been left in normal operating expenses. As such, the adjustment should follow that proposed in Mr. Nixon's rebuttal testimony. (Nixon, Watford & Porter)

OPC: Yes. Two adjustments should be made. The company's stockholders should bear this expense. Therefore, Account 733 - Contractual Services - Legal should be reduced by \$27,400. In addition, \$20,244 should be removed from Account 775 - Miscellaneous Expenses. This

adjustment also removes the company's escalation of this expense for the projected test year. (Larkin)

STAFF: Yes. Testifying Staff's position is that legal expenses associated with a DEP enforcement action are non-recurring and should be amortized over five years. As such, legal fees should be reduced by \$17,525. (Stambaugh) Non-testifying Staff's position is that miscellaneous expenses should be reduced by \$18,400 for the DEP settlement fee, which should be disallowed as a payment of a non-utility penalty. The escalation factors for growth or inflation that were applied to the settlement fee should also be removed.

ISSUE 27: Is an adjustment necessary to chemicals and purchased power expenses as a result of the utility's infiltration and inflow reduction program?

POSITIONS

ALOHA: No. There is no significant change in these accounts as a result of this infiltration and inflow reduction. (Nixon, Watford & Porter)

OPC: Yes, Aloha has included future costs for an I/I reduction program that is ongoing. If future costs are recognized, fairness dictates that the corresponding I/I reduction also being recognized. Chemicals and purchased power should be reduced by 23.37% to reflect the lower I/I resulting from the program. (Bidby, Larkin)

STAFF: No position pending further development of the record.

ISSUE 28: Should any adjustments be made to the utility's base year ended 9/30/99 balance for Account 720 - Materials & Supplies?

POSITIONS

ALOHA: Yes, an adjustment to capitalize \$11,606 should be made as proposed by Audit Exception No. 3, and the effect of Stipulation No. 6. However, no other adjustments to the base year materials and supplies account are appropriate. (Nixon & Watford)

OPC: Yes. The utility has incurred a drastic increase which has not been adequately explained. This account should be reduced by \$17,179 to reflect indexing of this account for customer growth and inflation from the 1998 level. (Larkin)

STAFF: Yes. The information provided in the utility's rebuttal testimony does not appear to justify the increase in Material and Supplies from the December 31, 1998 balance to the base year ended September 30, 1999.

ISSUE 29: Should an adjustment be made to Contractual Services - Other, to remove the projected maintenance expense for the new plant?

POSITIONS

ALOHA: No. There will be no savings as the warranty provided with the new plant has nothing to do with the normal operation and maintenance expenses related to that plant. (Nixon, Porter & Watford)

OPC: Yes. Aloha has made no adjustment to reflect the manufacturer's guarantee on new equipment. Unless this is addressed, Account 736 - Contractual Services - Other, should be reduced by \$175,000 (the 5% expense factor), since this is new plant that is guaranteed by the manufacturer. (Bidby)

STAFF: No position pending further development of the record.

ISSUE 30: Should any adjustments be made to the base year ended September 30, 1999 balance for miscellaneous expenses?

POSITIONS:

ALOHA: No adjustments are appropriate, other than those agreed to in Issue 26. (Nixon & Watford)

OPC: Yes. Aloha incurred a significant increase in Miscellaneous Expenses, which has not been adequately explained. Accordingly, the account should be reduced by \$16,155, and would then reflect the historical average indexed for infiltration and customer growth. (Larkin)

STAFF: Miscellaneous expenses should be reduced for non-recurring, advertising costs of new employees. These costs should be amortized over five years, pursuant to Rule 25-30.433(8), Florida Administrative Code. The escalation factor for growth and inflation associated with the residual of the total cost, less one year's depreciation, should also be removed. Further adjustments may be necessary pending further development of the record.

ISSUE 31: What is the appropriate amount of current rate case expense?

POSITIONS

ALOHA: The appropriate allowable rate case expense is the amount shown in Mr. Nixon's rebuttal testimony. (Nixon, Watford, Porter & Deterding)

OPC: Only prudently incurred rate case expense should be allowed and amortized over four years. (Larkin)

STAFF: Rate case expense of \$31,739 associated with the utility's emergency variance petition and its MFRs deficiencies should be disallowed. The final amount is subject to further development of the record. However, only prudently incurred rate case expense should be allowed and amortized over four years. (Merchant)

ISSUE 32: What is the appropriate amortization period and amount of contributed taxes associated with the Seven Springs wastewater system?

POSITIONS

ALOHA: Aloha agrees an adjustment is appropriate to utilize a 32.68 year life. This equates to a composite rate of 3.06 percent, which is the composite rate for all CIAC during the period CIAC was taxable (1987-1996). (Nixon)

OPC: The composite life of 26.9 years for the CIAC assets should be used. This results in an increase in amortization of the tax by \$18,808. (Larkin)

STAFF: Contributed taxes should be amortized using the composite Contributions-in-Aid-of-Construction (CIAC) rate.

ISSUE 33: What is the appropriate millage rate to project tangible personal property taxes?

POSITIONS

ALOHA: The actual millage rate for the test period as calculated by dividing the tax by the value stated on the tax bill, is the only appropriate rate to utilize. (Nixon & Watford)

OPC: Taxes other than income should be reduced by \$23,819 to reflect the minimum amount of tax that should have been paid had the company taken advantage of the discount period. This adjustment is consistent with Staff Audit Disclosure No. 10. (Larkin)

STAFF: The effective millage rate of 1.93677 is appropriate to project tangible personal property taxes. As a result, the utility's intermediate and final test year balances should be reduced by \$22,564 and \$23,819, respectively. (Stambaugh)

ISSUE 34: What is the test year operating income before any revenue increase?

POSITIONS

ALOHA: The appropriate amount is subject to resolution of other issues. (Nixon)

OPC: The appropriate amount is subject to the resolution of other issues. (Larkin)

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

REVENUE REQUIREMENT

ISSUE 35: What is the appropriate revenue requirement?

POSITIONS

ALOHA: The appropriate amount is subject to resolution of other issues. (Nixon)

OPC: The appropriate amount is subject to the resolution of other issues. (Larkin)

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

RATES

ISSUE 36: What are the appropriate final wastewater rates?

POSITIONS

ALOHA: The final wastewater rates are subject to resolution of other issues. (Nixon)

OPC: The final wastewater rates are subject to the resolution of other issues. (Larkin)

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

ISSUE 37: Should the Commission determine a reuse rate in this proceeding, and if so, what is the appropriate rate?

POSITIONS

ALOHA: Aloha would agree with the proposed staff reuse rate. However, it should be kept in mind that the higher the rate, the less likely Aloha will be able to sell the effluent in the first place. (Nixon & Watford)

OPC: No position.

STAFF: Yes, the utility's current reuse rate of \$0.25 per thousand gallons should be increased to \$0.32 per thousand gallons. (Merchant)

ISSUE 38: Who should bear the risk that the company will not find buyers for its reclaimed water?

POSITIONS

ALOHA: Since these are required improvements to the wastewater system, it is inappropriate for the Utility to bear this risk, and contrary to the provisions of Chapter 367 and 403 related to reuse systems. (Nixon & Watford)

OPC: Agree with staff. (Larkin)

STAFF: The utility should bear the risk that it will not find buyers for its reclaimed water. (Merchant) Consistent with Sections 367.0817(3) and 403.064(10), Florida Statutes, by Order No. PSC-97-0280-FOF-WS, issued March 12, 1997, the Commission approved all prudent costs associated with the utility's reuse project. As also discussed in that Order, the utility repeatedly asserted that it would have customers sufficient to purchase all of its effluent. Therefore, it is non-testifying staff's position that consistent with that Order, by including the reuse revenue associated with the utility's anticipated reuse customers, the burden and the associated risk remains on the utility to find these buyers.

ISSUE 39: Should the three-step rate reduction required by Order No. PSC-97-0280-FOF-WS be implemented, modified, or canceled?

POSITIONS

ALOHA: The three step rate reduction should not be implemented. The Commission should instead monitor Aloha's reuse revenue and customers by requiring the Utility to submit additional information in its Annual Report to assist the Commission with such monitoring. (Nixon & Watford)

OPC: The requirements of that Order should be implemented.

STAFF: The three-step rate reduction should not be implemented. The Commission should monitor Aloha's reuse revenue and customers by requiring the utility to submit additional information in its annual report. This information should include the name of each non-residential reuse customer, number of gallons of reuse sold and the revenue

collected for the year. For residential reuse service, Aloha should provide the number of residential customers by development, the numbers of gallons sold (if metered) and the revenue collected for the year. (Merchant)

SERVICE AVAILABILITY CHARGES

ISSUE 40: Should Aloha's Seven Springs wastewater plant capacity charge be revised?

POSITIONS

ALOHA: The maximum authorized by the Commission rule. However, given the staff auditor's position on Issue 12, application of the rule would result in a reduction or elimination of Aloha's service availability charges. (Nixon & Watford)

OPC: No position.

STAFF: Yes. According to the historical September 30, 1999 balances, the Seven Springs wastewater system has a 61.82% CIAC ratio. Based on the utility's MFRs, the CIAC ratio is 46.31% for the projected intermediate test year and 44.42% for the projected final test year. Since this construction phase will increase the capacity of the plant to accommodate future growth, the current plant capacity charges should be increased. The appropriate amount of new plant capacity charges is subject to further development of the record.

LEGAL ISSUES

ISSUE 41: Should Aloha be fined in the amount of \$250 for its apparent violation of Order No. PSC-97-0280-FOF-WS by its failure to timely file the extension of the Mitchell agreement with the Commission for approval?

POSITIONS

ALOHA: No. The delay in filing this agreement was merely an oversight and the Utility had no choice but to extend the

Mitchell agreement in order to allow it to continue to dispose of treated effluent or face being in violation of DEP and EPA requirements. (Watford)

OPC: Agree with staff.

STAFF: Yes. Order No. PSC-97-0280-FOF-WS, issued March 12, 1997, required any extension of the Mitchell contract to be filed with the Commission for approval. Although an extension agreement was entered into on March 19, 1999, the utility only submitted the agreement upon request of Staff on March 10, 2000. Therefore, in accordance with Section 367.161, Florida Statutes, the utility should be fined \$250 for its failure to timely submit the Mitchell contract for approval as required by the Order. (Factual basis - Merchant)

ISSUE 42: Should Aloha be fined for its apparent violation of Order No. PSC-97-0280-FOF-WS by its failure to file sufficient information to enable the Commission to address reuse rates for all reuse customers and whether and how much of the reuse revenue requirement should be allocated to its water customers?

POSITIONS

ALOHA: No. As was stated in the reuse case, it is the Utility's position that none of the costs should be allocated to its water customers. (Nixon & Watford)

OPC: No position.

STAFF: No. Order No. PSC-97-0280-FOF-WS, issued March 12, 1997, directed that the next rate case filing of the utility contain information sufficient to enable the Commission to address reuse rates for all reuse customers, and further ordered that the utility explore how much of the reuse revenue requirement should be allocated to its water customers. However, the Commission found that "until the utility adequately addresses . . . water quality concerns, we do not believe it is appropriate to raise water rates by shifting a portion of reuse water costs to the water customers." Because the utility is

still addressing the water quality concerns, Staff believes that it is still too early to address allocating any portion of the reuse revenue requirement to the water customers. In addition, by its filing, the utility apparently thought the zero rate for the Mitchell property and the reuse rate of \$.25 for all other customers was still appropriate. Therefore, Staff does not believe that the utility should either be made to show cause or be fined for its apparent failure to file the directed information in violation of the Order. (Factual basis - Merchant)

ISSUE 43: Should this docket be closed?

POSITIONS

ALOHA: Yes, upon approval of final rates.

OPC: If the Commission's final order is not appealed, this docket should be closed upon the expiration of the time for filing an appeal.

STAFF: If the Commission's final order is not appealed, this docket should be closed upon the expiration of the time for filing an appeal.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
Robert C. Nixon	Aloha	RCN-EX 1	Summary schedules in Sections A-E of rate base, operating income, cost of capital, and related supporting schedules for the historic year ended 9/30/99 and projected years 9/30/00 and 9/30/01

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Robert C. Nixon	Aloha	RCN-EX 2	Consolidated billing analysis for the historic year ended 9/30/99
		RCN-EX 3	Supplemental engineering information required by Rule 25-30.440
		RCN-EX 4	Information required by Rule 25-30.4415, concerning recovery of investment in facilities required by regulatory directive
David Porter	Aloha	EX-1(DP)	Schedules F-1 through F-10 of Aloha's application
Ted L. Biddy	OPC	TLB-1	Wastewater collection system analysis
		TLB-2	Used and useful methodology
		TLB-3	Used and useful % summary
		TLB-4A, B, & C	Plant in service summary

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Hugh Larkin, Jr.	OPC	HL-1	Schedule 1-OPC Revenue Adjustments; Schedule 2- Adjustments to O&M; Schedule 3-Adjustment to Depreciation Expense; Schedule 4- Adjustment to CIAC tax amortization; Schedule 5-Adjustments to taxes other than Income Tax; Schedule 6- Adjustment to Deferred Income Taxes; Schedule 7-Rate Base
Paul W. Stallcup	Staff	PWS-1	Forecast of equivalent residential connections
		PWS-2	Test of forecast methodologies
Thomas E. Stambaugh	Staff	TES-1	Audit Report dated 5/19/00
James A. McPherson	Staff	JAM-1	Audit Report dated 7/14/00
		JAM-2	Audit calculation of deferred taxes
		JAM-3	Comparison of accounting for CIAC
Patricia W. Merchant	Staff	PWM-1	Schedule of customer deposit projections
		PWM-2	DEP's 1999 reuse inventory report- Appendix H

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Patricia W. Merchant	Staff	PWM-3	Staff's deficiency letter dated 3/2/00 mailed to utility
		PWM-4	Utility's response letter to Staff's deficiency letter
		PWM-5	Pages from Florida Public Utilities Company's MFRs and Staff's deficiency letter dated 7/29/99 to Florida Public Utilities Company

Rebuttal

Robert C. Nixon	Aloha	RCN-1	Analysis of Legal Expense for Recurring DEP Enforcement Issues
		RCN-2	Order No. PSC-97-0618-FOF-WS
		RCN-3	Analysis of Increases to Account 720 Materials & Supplies
		RCN-4	Analysis of Increases to Account 775 Miscellaneous Expenses
		RCN-5	Analysis of Invoices Capitalized in 1997
		RCN-6	Taxable Wastewater CIAC
		RCN-7	Calculation of Actual Millage Rate
		RCN-8	Schedule of Wastewater CIAC
		RCN-9	Response to Staff's First Set of Interrogatories

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Robert C. Nixon		RCN-10	Commission Orders Recognizing Previously Expensed Plant
		RCN-11	Response to PSC Audit 991643-SU
		RCN-12	Response to PSC Audit 000737-WS
		RCN-13	Order No. 16971
		RCN-14	Order No. 21266
		RCN-15	Order No. 23541
		RCN-16	Summary of Actual and Estimated Rate Case Expense
		RCN-17	MFR Schedule G-1
David W. Porter	Aloha	DWP-1	Engineering Costs
F. Marshall Deterding	Aloha	FMD-1	Summary of Actual and Estimated Rate Case Expense
		FMD-2	Portion of February Bill Related to Rule Waiver
Stephen G. Watford	Aloha	SGW-1	In-House Fees and Costs

Supplemental Direct -- November 2, 2000 Hearing

Stephen G. Watford	Aloha	SGW-1	Notice of Eviction and Counter-Offer for Purchase of New Office Building
		SGW-SD-EX (9/15/00)	Executed Contract for Sale of New Office Building and Sublease

X. PROPOSED STIPULATIONS

Category One Stipulations

Those stipulations where the utility, OPC and Staff agreed are set forth below:

1. David MacColeman's prefiled testimony shall be inserted into the record as though read, and he will be excused from attending the hearing and being subject to cross-examination.
2. For the wastewater treatment plant expansion from 1999 to 2000, plant-in-service should be reduced by \$122,524 which reflects the appropriate allowance for funds used during construction rate of 9.08%. Corresponding adjustments should also be made to reduce accumulated depreciation and depreciation expense.
3. For items that were erroneously expensed during the historical September 30, 1999 base year, Account 720 - Materials and Supplies, should be reduced by \$13,072. This adjustment is consistent with Staff Audit Exception No. 3, and also reflects removal of the company's escalation of the expense. Thus, the Seven Springs wastewater system's plant should be increased by \$11,616. Corresponding adjustments should also be made to increase accumulated depreciation and depreciation expense.
4. Based on the Commission approved equity ratio, the rate of return on equity should be calculated using the current leverage formula at the time of the Commission's vote on this matter. However, the appropriate equity ratio is subject to the resolution of other issues.
5. Utility charges recorded as transportation expenses in the amount of \$280 should be disallowed. As such, transportation expenses should be reduced by \$280. The escalation for inflation that was applied to this account should also be removed.
6. Expenses related to errors resulting from Aloha's computer system conversion should be allocated to all of the utility's systems. Consistent with Staff Audit Disclosure No. 5, Account 718 -- Chemicals, and Account 720 -- Materials and Supplies, for the Seven Springs wastewater system should both

be reduced by \$1,087. The escalation factors for growth and inflation that were applied to these accounts of \$136 should also be removed for a total adjustment of \$1,223.

7. Certain loan costs were expensed that should have been capitalized and amortized. Consistent with Staff Audit Disclosure No. 9, Account 732 - Contractual Services - Legal, should be reduced by \$2,581.

8. Seven Springs wastewater land should be reduced by \$12,120 and Aloha Gardens wastewater land should be increased by \$12,120.

9. Income tax deposits should be removed from the working capital calculation because the utility does not anticipate paying any income tax.

10. In 1999, the utility expensed above-the-line \$31,401 of rate case expense over and above what the Commission allowed in Order No. PSC-97-0280-FOF-WS, issued March 12, 1997, in Dockets Nos. 970536-WS and 980245-WS. This amount should be expensed below-the-line.

11. Accounts payable on Construction-Work-in-Progress (CWIP) provide a 30-day cost-free source of capital, and plant-in-service should be reduced by \$20,124. Also, accumulated depreciation and depreciation expense should be reduced by \$568.

Category Two Stipulations

Those stipulations where the utility and Staff agreed, but where OPC took no position in the stipulations are set forth below:

12. None of the revenue requirement associated with reuse and approved in this docket should be allocated to the utility's water customers as allowed by Section 367.0817(3), Florida Statutes. This is consistent with Order No. PSC-97-0280-FOF-WS.

13. The extension of the Mitchell agreement dated March 19, 1999 should be approved. However, any further extension of the contract after this current term expires should be approved by the Commission before such an extension is executed.

14. For the base year ended September 30, 1999, the depreciation rate for computer equipment should be 16.67 percent. Adjustments should be made to correct the base, intermediate and projected test year accumulated depreciation and depreciation expense.

XI. PENDING MOTIONS

1. Aloha's Motion to Strike "Rebuttal" Testimony of OPC's witness Ted L. Bidy.

XII. RULINGS

1. All invoices and documents updating rate case expense shall be filed by the close of business on September 27, 2000. Moreover, the utility shall be allowed to file a late-filed exhibit on rate case expense by no later than October 10, 2000, and staff and OPC may file a response by no later than October 20, 2000.

2. Aloha's Motion to Allow Filing of Supplemental Direct Testimony with the Supplemental Direct Testimony of Stephen G. Watford attached as Attachment A shall be granted. Moreover, the Executed Contract for Sale of New Office Building submitted on September 15, 2000, shall be identified as exhibit SGW-2. Therefore, the rebuttal testimony of Stephen G. Watford, beginning at page 2, line 20, and going through page 6, line 15, shall be stricken.

Moreover, to give OPC and our staff time to respond to this testimony, November 2, 2000, has been scheduled to consider the issue: Should the Commission consider the new office building cost for the utility in this rate proceeding. OPC and staff shall file their testimony on this issue, if any, on October 13 and October 18, 2000, respectively. Also, Aloha shall file any rebuttal testimony on this issue by no later than October 23, 2000, and all discovery on this issue shall be completed by October 26, 2000.

XIII. New Controlling Dates and Revision of Orders Establishing Procedure

By Order No. PSC-00-0872-PCO-SU, issued May 3, 2000 (Order Establishing Procedure), the controlling dates in this matter were originally established. The controlling dates were subsequently modified by Order No. PSC-00-1370-PCO-SU, issued July 31, 2000, and Order No. PSC-00-1636-PCO-SU, issued September 13, 2000. Based on the rulings above, the controlling dates are revised as follows:

- | | |
|---|-------------------|
| 1) Hearing (on all issues except the costs of the new office building) | October 2-3, 2000 |
| 2) Intervenor's direct testimony and exhibits on the sole issue of the new office building | October 13, 2000 |
| 3) Staff's direct testimony and exhibits on the sole issue of the new office building, if any | October 18, 2000 |
| 4) Rebuttal testimony and exhibits on the sole issue of the new office building | October 23, 2000 |
| 5) Hearing on the sole issue of the new office building | November 2, 2000 |
| 6) Briefs on all issues | November 22, 2000 |

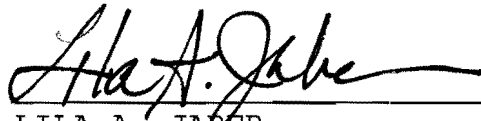
Unless authorized by the Prehearing Officer for good cause shown, all discovery on all issues except the costs of the new office building shall be completed by September 25, 2000. For the issue on the costs of the new office building, all discovery shall be completed by October 26, 2000. This Order is issued pursuant to the authority granted by Rule 28-106.211, Florida Administrative Code, which provides that the presiding officer before whom a case is pending may issue any orders necessary to effectuate discovery, prevent delay, and promote the just, speedy, and inexpensive determination of all aspects of the case.

It is therefore,

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

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By ORDER of Commissioner Lila A. Jaber as Prehearing Officer,
this 26th day of September, 2000.



LILA A. JABER
Commissioner and Prehearing Officer

(S E A L)

RRJ/JKF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 25-22.0376, 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

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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.