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ORIGINAL
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March 6, 1996

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

Re: Docket No. 951056-WS
Application for rate increase in Flagler County by Palm Coast
Utility Corporation.

Dear Ms. Bayo:

Enclosed on behalf of Palm Coast Utility Corporation for
filing in the above docket are an original and 15 copies of the
Staff-approved Synopsis.

Please acknowledge receipt of the foregoing by stamping the
enclosed extra copy of this letter and returning same to my
attention. Thank you for your assistance.

Sincerely,

Wayne L. Schiefelbein

ACK _____
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 APP _____ Enclosures
 CAF _____ cc:w/encl.: Ralph R. Jaeger, Esq. Hand Delivery
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of PALM COAST)
UTILITY CORPORATION for Increased)
Rates in Flagler County, Florida)

Docket No. 951056-WS

**ORIGINAL
FILE COPY**

SYNOPSIS

1. PALM COAST UTILITY CORPORATION ("Applicant"), has applied to the Florida Public Service Commission ("the Commission") for an increase in its water and wastewater rates in Flagler County, Florida.

2. Applicant is a water and wastewater utility company regulated by the Commission. Applicant is seeking an increase in water and wastewater rates because its present rates do not provide sufficient revenues to permit it an opportunity to earn a fair return on its investment in facilities used and useful in furnishing water and wastewater service to the public. Applicant therefore proposes to increase its annual operating revenues by \$1,479,626 for water and \$1,575,817 for wastewater, which would result in a rate of return of 8.84% on a rate base of \$21,328,433 for its water operation and \$16,031,209 for its wastewater operation. Pending the establishment of permanent rates in this proceeding, Applicant has requested interim rates, subject to refund, which would produce additional revenues of \$457,694 for water and \$442,999 for wastewater.

3. The present rates, proposed interim rates, and proposed final rates, are as follows:

WATER SERVICE

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
<u>Residential</u>			
Base Facility Charge (Monthly Minimum)			
5/8 x 3/4"	\$10.55	\$11.50	\$15.36
Gallonge charge/1000 gallons (No Maximum)	\$3.60	\$3.93	\$4.52
<u>General Service & Multifamily</u>			
Base Facility Charge (Monthly Minimum)			
5/8 x 3/4"	\$10.55	\$11.50	\$15.36
1"	26.34	28.72	38.39
1-1/2"	52.69	57.46	76.79
2"	84.29	91.92	122.86
3"	168.58	183.84	245.71
4"	263.41	287.25	383.93
6"	526.81	574.49	767.84
Gallonge Charge/1000 gallons (No Maximum)	3.60	3.93	4.52
<u>Hammock Dunes Bulk Rate</u>			
Base Facility Charge (Monthly Minimum)			
6"	195.79	213.51	285.64
Gallonge Charge/1000 gallons (No Maximum)	1.01	1.10	1.26
<u>Irrigation Service - All Classes</u>			
Base Facility Charge (Monthly Minimum)			
5/8 x 3/4"	\$ 5.27	\$ 5.75	\$ 7.68
1"	26.34	28.72	38.39
1-1/2"	52.69	57.46	76.79
2"	84.29	91.92	122.86
3"	168.58	183.84	245.71
4"	263.41	287.25	383.93
6"	526.81	574.49	767.84
Gallonge Charge/1000 gallons	3.60	3.93	4.52

(No Maximum)

Private Fire Protection
(Monthly Charge)

4" Line	87.89	95.73	31.97
6" Line	175.60	191.49	63.87
8" Line	280.95	306.38	102.18
10" Line	403.83	440.38	146.88
12" Line	754.94	823.26	274.58

Public Fire Hydrants

Annual Charge Per Hydrant	100.00	100.00	0.00
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WASTEWATER SERVICE

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
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Residential

Base Facility Charge
(Monthly Minimum)

5/8 x 3/4"	\$11.10	\$12.75	\$13.46
Gallage charge/1000 gallons (8000 Gallons Maximum)	\$2.93	\$3.36	\$4.66

General Service & Multifamily

Base Facility Charge
(Monthly Minimum)

5/8 x 3/4"	\$11.10	\$12.75	\$13.46
1"	27.72	31.83	33.65
1-1/2"	55.44	63.66	67.31
2"	88.69	101.83	107.69
3"	177.39	203.68	215.38
4"	277.18	318.26	336.53
6"	554.35	636.50	673.05
Gallage Charge/1000 gallons (No Maximum)	3.52	4.04	5.60

Effluent Reuse Service

Gallage charge/1000 gallons	0.00	0.00	.67
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The Commission may modify the proposed rates so as to increase or decrease the proportionate amounts allocated to the base

facility charge (the fixed minimum monthly amount regardless of usage) and the gallonage charge (which will vary with actual usage). The Commission may also modify the rates so as to allocate revenue among the various customer classes (residential, general service, etc.) in a different manner than that proposed by the Applicant.

4. The Applicant is proposing that effective with approval of the new rates, its Allowance for Funds Used During Construction (AFUDC) rate be changed to the approved weighted cost of capital established in this case.

5. The Applicant is proposing to eliminate the Public Hydrant Charge. Public hydrants provide for the public welfare of all customers of the Applicant and the cost of maintaining the hydrants can be absorbed by all customers without any discernible impact. Public fire hydrant revenues represent approximately 1.8% of the requested revenues. Additionally, the administrative costs in maintaining a separate charge and agreement with Flagler County are cost prohibitive. The elimination of the Public Hydrant Charge would be effective with fiscal rates.

6. The Applicant is also proposing to add a new rate class for effluent reuse customers. The revenues associated with providing reuse service have been used to reduce the revenues to be recovered from other wastewater customer classes. The proposed charge for effluent reuse service is \$0.67 per 1000 gallons and is projected to generate annual revenue of \$195,640 on a pro forma basis.

7. In accordance with Rule 25-30.465, Florida Administrative Code, the Applicant proposes reduction of the Private Fire Protection charge, to one-twelfth of the base facility charge for the equivalent meter size.

8. At this time, the major issues in the rate case have not yet been identified. However, Applicant anticipates that its investment of \$32.7 million in water and wastewater facilities added since its last rate case will be closely examined by the Commission in this proceeding. The Commission is otherwise expected to review and determine the Applicant's quality of service, rate base, cost of capital, net operating income, revenue requirements, and, ultimately, the appropriate level of rates and charges for service.

9. A description of the ratemaking process is as follows:

The case begins when the utility requests a specific period of time (a "test year") to be used to determine the proper investment and expenses on which rates should be based. The test year may be approved, or another period suggested by the Chairman of the Commission. The test year for this case is the 12 month period ended December 31, 1995, as approved by the Commission on September 18, 1995. The utility prepares the financial, rate, accounting, engineering and billing analysis information that is necessary to support the increase. This data is required by Commission rules and is referred to as the Minimum Filing Requirements (MFRs). The Applicant in this case submitted the MFRs on December 27, 1995, and deficiencies were corrected as of February 12, 1996. When the MFRs

are filed with and accepted by the Commission, the official date of filing is established, and a statutory time clock begins. The official date of filing for the case is February 12, 1996. The Commission has 60 days during which it may officially suspend, deny or approve the utility's requested rates. Generally, the requested rates are suspended because further investigation is needed. During the first 60 days, the statute permits the Commission to authorize an interim rate increase, subject to refund, to go into effect while the case is pending, if the MFRs indicate the utility is earning less than the last authorized rate of return on its investment. In this case, the Applicant has requested interim rates designed to generate increased annualized revenues of \$457,694 for its water operations and \$442,999 for its wastewater operations.

The utility is required to place a copy of the MFRs and this synopsis at its business office in the service area. Within 50 days after the official date of filing is established by the Commission, the utility must notify the customers that a rate increase is being requested, showing the utility's present and proposed rates, the time schedule for the case, the dates, times and locations of any hearings that have been scheduled, and the location of this synopsis and the MFRs.

The Commission has a professional staff that specializes in reviewing and analyzing the data submitted by the utility in support of its rate request. An audit of the utility's accounting records is made, with the company's financial operations carefully

reviewed. Engineering personnel make a detailed study of the utility's physical facilities including on-site investigations. The Staff engineer also reviews the utility's compliance with local, state, and federal environmental agencies' rules.

The issues in this case will be determined through a formal hearing process. A panel of Public Service Commissioners will be assigned to hear the case and make the final decision. One of the Commissioners has been designated as the Prehearing Officer to handle procedural matters. The Prehearing Officer will issue a procedural order which will outline dates for filing testimony, dates for a preliminary prehearing conference where the parties begin to develop the issues, the date for the prehearing conference, which is held in Tallahassee, and finally, the date and location for the formal hearing, which is expected to be held in or near the local service area.

Consumer input in a rate case is an important ingredient that is desired by the Commission. Consumer input becomes an integral part of the hearing and the final decision. The quality of service to the customer, responsiveness of the management to the customer, and the history of the utility's operation and rate structure are all areas where customer input is helpful to the Commission's final determination of a fair and reasonable level of water and wastewater rates. Prior to beginning the formal hearing, a service hearing is held to allow the opportunity for such customer input. Everything that takes place at the formal hearing is reported by a court reporter and a transcript is prepared after the hearing.

Following the formal hearing, each of the parties prepares a brief, and the staff of the Commission prepares a recommendation based on the evidence presented at the hearing. The panel of Commissioners hearing the case will vote on each of the issues at a regularly scheduled agenda conference in Tallahassee. A final order is prepared based on the Commission's vote. The entire process for this type of case usually takes eight months to complete. The Commission's final decision in a case can be appealed to the First District Court of Appeal and, in some cases, ultimately to the Florida Supreme Court.

10. Schedule

The Commission has established a schedule to process this rate case. This schedule is subject to change by the Commission. The key dates under the current schedule are as follows:

Agenda Conference on Interim Rates	March 19, 1996
Order on Interim Rates	April 8, 1996
Intervenor Testimony Due	May 15, 1996
Staff Testimony Due	May 29, 1996
Prehearing Statements Due	June 3, 1996
Prehearing Conference	June 10, 1996
Rebuttal Testimony Due	June 12, 1996
Issuance of Prehearing Order	June 24, 1996
Hearing	July 1-2, 1996
Briefs Due	July 24, 1996
Staff Recommendation on Final Rates	September 19, 1996
Agenda Conference on Final Rates	October 1, 1996

11. A complete copy of the MFRs are available for inspection during normal business hours, 8:00 a.m. to 4:30 p.m., Monday through Friday, at the Applicant's headquarters:

Palm Coast Utility Corporation
2 Utility Drive
Palm Coast, Florida 32137
(904) 445-3311

The MFRs are also available for inspection in the reference section during normal library business hours at:

Flagler County Library
264 Palm Coast Parkway
Palm Coast, FL 32137
(904) 445-2340

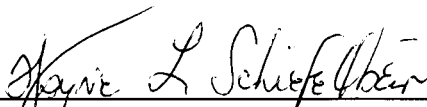
12. Customer comments concerning Applicant's water and wastewater utility service and its request for an increase in rates and charges should be addressed to the Director of the Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. All comments should include reference to Commission Docket No. 951056-WS, which has been assigned to this case. Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

13. On December 27, 1995, Palm Coast Utility Corporation also applied to the Commission for approval of a permanent increase in water and wastewater plant capacity charges, Docket No. 951593-WS, separate from the above rate case docket. The increased plant capacity charges are to be paid by new connections and not existing

customers. It is proposed that the plant capacity charge for water be increased from \$766.00 to \$1,500.00 for a single family residence served by a 5/8" x 3/4" water meter. The water plant capacity charge for all other connections is proposed to increase from \$2.64 to \$7.97/gallon of average daily usage as determined by the utility. It is proposed that the plant capacity charge for wastewater be increased from \$1,466.00 to \$1,600.00 for a single family residence served by a 5/8" x 3/4" water meter. The wastewater plant capacity charge for all other connections is proposed to increase from \$6.37 to \$11.69/gallon of average daily usage as determined by the utility. A copy of this application may be inspected between 8:00 a.m. and 4:30 p.m. at the offices of Palm Coast Utility Corporation at the address specified in paragraph 11 hereinabove.

DATED this 6th day of March, 1996.

Respectfully submitted,



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Tallahassee, Florida 32308
(904) 877-7191

Attorneys for Palm Coast Utility
Corporation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail to Mr. Jim Darby, Chairman, Board of County Commissioners, Flagler County, 1200 E. Moody Blvd., #1, Bunnell, Florida 32110 and to Mr. Christopher Chinault, County Administrator, 1200 E. Moody Blvd., #1, Bunnell, Florida 32110, and by hand delivery to Mr. Jack Shreve, Public Counsel, Claude Pepper Building, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400, on this 6th day of MARCH, 1996.



WAYNE L. SCHIEFELBEIN