



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: MARCH 14, 1996
 TO: CHAIRMAN CLARK
 FROM: CHARLES H. HILL, DIRECTOR, DIVISION OF WATER AND WASTEWATER
 LILA JABER, DIVISION OF LEGAL SERVICES *JH*
 RE: DOCKET NO. 960329-WS, APPLICATION OF GULF UTILITY COMPANY FOR AN INCREASE IN WATER AND WASTEWATER RATES IN LEE COUNTY - TEST YEAR APPROVAL

By letter dated March 8, 1996, Gulf Utility Company (GUC) has requested approval to use a projected test year ended December 31, 1996 with an historic base year ended December 31, 1995. The company has indicated that they will also be requesting an interim increase.

GUC states the reason for filing this case is that the current rates being charged do not provide a fair rate of return on their investment. During the historic test year, the company has added \$1,045,300 in water plant and \$2,047,000 of wastewater plant. The company is currently budgeting construction of \$1,476,576 in water plant additions and \$1,124,761 in wastewater additions. The company states that a substantial portion of these additions will be completed prior to December 31, 1996. Staff currently has an overearnings investigation in progress for the water system based on the utilities 1994 annual report.

Staff believes, given the circumstances, that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1992 through 1994. Based on our review, we believe that the requested test year should be approved. Receipt of the application by July 31, 1996, will be acceptable.

The test year letter filename is I:\PSC\WAW\WP\GUC.MWW

Dr. Mary Bane, Deputy Executive Director/Technical
 Division of Water and Wastewater (Willis, Crouch, Merchant, Rendell)
 Division of Legal Services
 Division of Records and Reporting
 Nanette Fisher

DOCUMENT NUMBER-DATE

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PSC-RECORDS & REPORTING

State of Florida

SUSAN F. CLARK
CHAIRMAN



CAPITAL CIRCLE OFFICE CENTER
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(904) 413-6040

Public Service Commission

March 14, 1996

Mr. B. Kenneth Gatlin
Gatlin, Woods & Carlson
1709-D Mahan Drive
Tallahassee, Florida 32308

Dear Mr. Gatlin:

Re: Docket No. 960329-WS, Application of Gulf Utility Company for Increased Water and Wastewater Rates in Lee County - Test Year Approval

We have received your letter dated March 8, 1996, requesting approval to use a projected test year ended December 31, 1996 with an historic base year ended December 31, 1995. Your test year request as outlined above is hereby approved. You should also be aware that prefiled direct testimony must be filed with the minimum filing requirements if you do not elect to request the proposed agency action process.

For administrative purposes only, Docket No. 960329-WS has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of Records and Reporting receives the complete petition, revised tariff sheets, the minimum filing requirements, testimony (if not requesting PAA) and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than July 31, 1996. Because of the difficulty in scheduling hearing dates it is not anticipated that an extension of this filing date will be granted.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation

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required, information not filed with the original application may not be considered. Lastly, the utility should be prepared to justify all increased operation and maintenance expenses, particularly those in excess of customer growth and inflation since the utility's last rate case.

Sincerely,

Susan F. Clark
Chairman

SFC/MWW

cc: Commissioners
Mr. Talbott
Dr. Bane
Nanette Fisher
Division of Records and Reporting
Division of Legal Services (Jaber)
Division of Water and Wastewater (Willis)
Jack Shreve, Office of Public Counsel