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October 8, 1996

**HAND DELIVERY**

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-1850

RE: Docket No. 951056-WS  
Application by PALM COAST UTILITY CORPORATION  
for a rate increase in Flagler County, Florida

Dear Ms. Bayo:

Enclosed for filing, on behalf of Palm Coast Utility Corporation, are an original and fifteen copies of Suggestion of Errors in Staff Recommendation, in reference to the above docket.

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.

Very truly yours,

B. Kenneth Gatlin

- ACK \_\_\_\_\_
- AFA 2 \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- DMU \_\_\_\_\_
- DTR \_\_\_\_\_
- EAG \_\_\_\_\_
- EG 1 \_\_\_\_\_
- JN \_\_\_\_\_
- JTC \_\_\_\_\_
- RCR \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

BKG/met  
Enclosures

DOCUMENT NUMBER-DATE  
10760 OCT-8 96  
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Palm Coast )  
Utility Corporation for an Increase )  
in Water and Wastewater Rates in )  
Flagler County, Florida )

Docket No. 951056-WS

Filed: October 8, 1996

SUGGESTION OF ERRORS IN STAFF RECOMMENDATION

Palm Coast Utility Corporation (PCUC) hereby submits its Suggestion of Errors in the September 26, 1996 Staff Recommendation for a final action in this proceeding.

1. The standard for Commission consideration of Suggestions of Error in staff recommendations in a final action has been clearly stated by the Commission.

Parties may be allowed to address mistakes or mathematical errors through an appropriate pleading, such as a "Suggestion of Error in Staff Recommendation." However, differences of opinion as to policy or accounting methodology shall not be communicated through such a pleading. Order No. PSC-94-1519-FOF-GU (December 9, 1994).

2. This Suggestion of Error addresses "mistakes or mathematical errors" in Staff's calculation of used and useful rate base and the related revenue requirements.

3. On page 99 of its Recommendation, Staff determined that force mains were 69.99% used and useful. But at page 86 of the Recommendation, Staff used 38.73% to calculate the used and useful plant in service for force mains. This mathematical error results in an understatement of gross used plant in rate base of \$1,415,478.

4. On page 85 of its Recommendation, the 13 month average balance of Transmission & Distribution Mains is missing the amounts in Subaccounts 331.4500 & 331.4501, shown in the MFR at page 11. This mathematical error results in an understatement of gross used plant in rate base of \$1,088,840.

5. On page 85 of its Recommendation, the 13 month average balance of Undistributed General Plant Account 106, shown in the MFR at page 11, is missing. This mathematical error results in an understatement of gross used plant in rate base of \$246,612.

6. On page 86 of its Recommendation, the 13 month average balance of Collection Sewers is missing the amounts in Subaccounts 361.24500 & 361.24501, shown in the MFR at page 13.

DOCUMENT NUMBER-DATE

10760 OCT-8<sup>th</sup> 1059

FPSC-RECORDS/REPORTING

**This mathematical error results in an understatement of gross used plant in rate base of \$25,910.**

7. On page 86 of its Recommendation, the 13 month average balance of Undistributed General Plant Account 106, shown in the MFR at page 13, is missing. **This mathematical error results in an understatement of gross used plant in rate base of \$173,869.**

8. On pages 73 and 74 of its Recommendation, Staff uses 10,415 as the number of connected lots in determining the used and useful percentage it applies to water distribution and transmission lines. This number is in error. During the test year, there were an average of 10,591 water customers, excluding beachside customers. Each residential water customer occupies at least one residential lot, and each non-residential customer occupies at least the equivalent of one residential lot. **The average number of lots connected to water service is understated in the Staff Recommendation by at least 176 lots, due to a discrepancy between the Staff's lot count and customers actually occupying lots. This discrepancy results in an as yet undetermined understatement of used and useful water plant in service.**

9. On pages 76 - 78 of its Recommendation, Staff uses 9,456 as the number of gravity (8,175) and PEP (1,281) lots in determining the used and useful percentage it applies to wastewater collection mains. This number is in error. During the test year, there were an average of 10,206 wastewater customers. Each residential water customer occupies at least one residential lot, and each non-residential customer occupies at least the equivalent of one residential lot. **The average number of lots connected to water service is understated in the Staff Recommendation by at least 750 lots, due to a discrepancy between the Staff's lot count and customers actually occupying lots. This discrepancy results in an as yet undetermined understatement of used and useful water plant in service.**

10. On page 41 of its Recommendation, Staff states that it proper to impute CIAC against margin reserve based on the service availability charges that would be in effect in the period following the test year. Staff imputed CIAC based on PCUC's proposed charges of \$1,500 for water and \$1,600 for wastewater. Docket No. 951593-WS, PCUC's request for an increase in service availability charges is being considered by the Commission concurrently with this rate case proceeding. In that docket, the same staff personnel that prepared the recommendation in this rate case are recommending that the service availability charges to set to zero. PCUC disagrees with that recommendation, however, if the staff is recommending the service availability charges that will be in effect following the rate case be set to zero, then the recommendation to impute CIAC at the utility's proposed

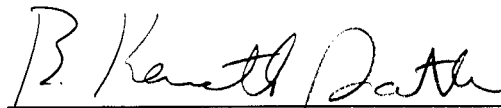
rates is in error. This error results in an understatement of rate base of \$1,175,835 [\$1,194,371 CIAC - \$18,536 amort].

11. The total of the six quantifiable errors alone, result in the gross plant in rate base being understated by \$4,145,080. These quantifiable errors and the discrepancies in the lot counts are significant errors that make the accuracy of the entire recommendation suspect.

12. PCUC has not had the opportunity to determine if there are other errors in the Staff Recommendation, but failure to correct the errors identified will a) deny PCUC access to revenues which it is entitled to collect, b) jeopardize PCUC's ability to finance future capital improvements, and c) endanger the future financial viability of the utility.

Based on the foregoing, Palm Coast Utility Corporation requests that a) this Suggestion of Errors in Staff Recommendation be considered by the Commission, b) that the revenue requirement be corrected to reflect the correction of at least these obvious errors and c) that the entire recommendation be held in abeyance for a reasonable period to allow the parties and Staff to review the recommendation to determine whether any other mistakes or mathematical errors exist.

Respectfully submitted, this  
8th day of October, 1996



**B. Kenneth Gatlin**  
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Attorneys for Palm Coast Utility  
Corporation

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

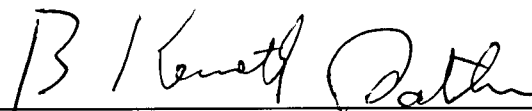
In re: Application of Palm Coast)  
Utility Corporation for an )  
Increase in Water and Wastewater)  
Rates in Flagler County, Florida)

Docket No. 951056-WS  
Filed October 8, 1996

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Suggestion of Errors in Staff Recommendation was furnished by via fax to Ms. Bobbie Reyes, Esq., Division of Legal Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, on the 7th day of October, 1996, and that a true and correct copy is hereby furnished by via fax to Mr. Richard Melson, Esquire, Hopping, Green Sams & Smith, 123 South Calhoun Street, Tallahassee, Florida 32314, Mr. Stephen C. Reilly, Associate Public Counsel, Office of Public Counsel, Claude Pepper Building, Room 812, 111 West Madison Street, Tallahassee, Florida 32399-1400, and Mr. Albert J. Hadeed, County Attorney, 1200 East Moody Boulevard, #11, Bunnell, Florida 32110-9764, on this 8th day of October, 1996.

Respectfully submitted,



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