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October 10, 1996

HAND DELIVERY

Ms Blanca S Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RE Docket No. ~~96000~~-WS
Application of GULF UTILITY COMPANY for
an increase in Wastewater Rates, approval of a decrease in
Water Rates and approval of Service Availability Charges in Lee
County, Florida

Dear Ms Bayo

Enclosed for filing are an original and fifteen copies of the corrected staff-approved Synopsis
and Notice of Application, 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

Very truly yours,



B. Kenneth Gatlin

BKG/met
Enclosures

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V. _____
OT _____

CC: [unclear] [unclear]

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of GULF UTILITY)
COMPANY for an increase in Wastewater)
Rates, approval of a decrease in Water)
Rates and approval of Service Availability)
Charges in Lee County, Florida.)

Docket No. 960329-WS

SYNOPSIS

GULF UTILITY COMPANY ("Applicant"), has applied to the Florida Public Service Commission (the "Commission") for an increase in its wastewater rates, decrease in water rates, increase in wastewater service availability charges and decrease in water service availability charges in Lee County, Florida. This application is designed to maintain a balance between the level of rates and the level of capacity fees for financial stability in the company's operations

1. Applicant is a water and wastewater utility company regulated by the Commission. Applicant is seeking an increase in wastewater rates and a decrease in water rates that will provide in total, and for each of the utility operations a fair return on the investment in facilities used and useful in furnishing water and wastewater service to the public. Applicant proposes to decrease its annual operating revenues by \$155,935 for water and increase its annual operating revenues by \$366,340 for wastewater, which would result in a rate of return of 9.25% on a rate base of \$4,427,672 for its water operation and \$4,928,296 for its wastewater operation.

2. The Applicant requests the reduction in water rates be made effective concurrently with the interim rate increase in wastewater rates. The present rates, proposed interim rates, and proposed final wastewater utility service rates are as follows:

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
<u>Residential</u>			
All Meter Sizes	\$ 14.48	\$ 15.82	\$ 16.48
Gallonage/MG	3.07	4.06	4.23
10,000 Maximum			
<u>Commercial</u>			
5/8"x3/4"	\$ 14.48	\$ 15.82	\$ 16.48
1"	36.20	40.23	41.19
1-1/2"	72.39	79.10	82.37
2"	115.85	126.58	131.81
3"	231.68	253.14	263.61
4"	362.01	395.54	411.89
6"	724.01	791.08	823.78
Gallonage/MG	3.68	4.88	5.08
No maximum			
<u>Master Meter Influent</u>			
5/8"x3/4"	\$ 14.48	\$ 15.82	\$ 16.48
1"	36.20	40.23	41.19
1-1/2"	72.39	79.10	82.37
2"	115.85	126.58	131.81
3"	231.68	253.14	263.61
4"	362.01	395.54	411.89
6"	724.01	791.08	823.78
Gallonage/MG	3.84	5.08	5.24
No maximum			

3 The present and proposed interim rates and proposed final water utility rates are as follows

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim & Final Rates</u>
<u>Residential</u>		
5/8"X3/4"	\$ 8.45	\$ 7.88
3/4"	12.68	11.82
1"	21.13	19.70
1-1/2"	42.25	39.38
2"	67.61	63.02
Gallonage/MG	2.16	2.01

Commercial

5/8"x3/4"	\$ 8 45	\$ 7 88
3/4"	12 68	11 82
1"	21 13	19 70
1-1/2"	42 25	39 38
2"	67 61	63 02
3"	135 21	126 03
4"	211 27	196 92
6"	422 54	393 85
Gallorage charge/MG	2.16	2 01

Fire Protection Service

1"	\$ 7 04	\$ 6 56
1-1/2"	14 08	13 12
2"	22 54	21 01
3"	45 07	42 01
4"	70 42	69 37
6"	140 85	131 29
8"	225 35	210 05
12"	605 64	564 52

4. Applicant has requested that it be allowed to increase wastewater capacity fees and decrease water capacity fees as shown below

	<u>Water</u>	<u>Wastewater</u>
<u>Residential</u>		
Present	\$800/ERC	\$550/ERC
Proposed	\$550/ERC	\$800/ERC
<u>Commercial</u>		
Present	\$2 02/gal	\$2 20/gal
Proposed	\$1 39/gal	\$3 20/gal

The increased charge for wastewater is due to the higher cost of increase capacity of application treatment plants and the increased cost of regulatory environmental compliance. The decrease in the charge for water brings the level of CIAC within the guidelines of the Commission rules.

5. 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, commercial, etc.) in a different manner than that proposed by the Application.

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

7. 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 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, 1996, as approved by the Commission on March 15, 1996. The utility prepared the financial, rate, accounting, engineering and billing analysis information that is necessary to support the increase/decrease. 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 June 27, 1996, and deficiencies were corrected as of August 23, 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 August 23, 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 in the wastewater operations and concurrently approval of its present rates on an interim and permanent basis for its water operations. A summary of the change in revenue, based in 1995 operations would be:

	<u>1995 Revenues</u>		
	<u>Present Rates</u>	<u>Adjustment</u>	<u>As Adjusted</u>
Water	\$2,124,579	\$(141,708)	\$1,982,871
Wastewater	\$1,117,570	\$ 256,855	\$1,374,425

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 change 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 customer inquiries, and the history of the utility's operation and rate structure are all matters where customer input is helpful to the Commission's final determination of fair and reasonable water and wastewater rates. Everything that takes place at the hearing is recorded by a court reporter and a transcript is prepared after the hearing. Following the 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 Appeals and, in some cases, ultimately to the Florida Supreme Court.

9. 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 (Tallahassee)	10/8/96
Order on Interim Rates	10/28/96
Intervenor Testimony Due	12/20/96
Staff Testimony Due	1/6/97
Prehearing Statements Due	1/13/97
Prehearing Conference (Tallahassee)	1/22/97
Rebuttal Testimony Due	1/17/97
Issuance of Prehearing Order	1/31/97
Hearing	2/6-7/97
Briefs Due	2/26/97
Staff Recommendation on Final Rates	4/3/97
Agenda Conference on Final Rates	4/15/97
Commission Order on Final Rates	5/5/97

10. A complete copy of the MFRs are available for inspection during normal business hours, 8:30 a.m. to 5:00 p.m., Monday through Friday, at the Applicant's headquarters:

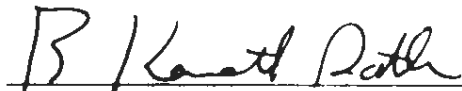
Gulf Utility Company
19910 S. Tamiami Trail
Estero, Florida 33928

11. Customer comments concerning Applicant's utility service and its request for change in rates 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. 960329-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

DATED this 10th day of October, 1996

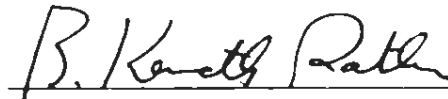
Respectfully submitted,



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Attorneys for
GULF UTILITY COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail to Mr. John Albion, Chairman, Board of County Commissioners, Lee County, 2120 Main Street, Ft. Myers, Florida 33901, on this 10th day of October, 1996



B. Kenneth Gatlin