

M E M O R A N D U M

April 4, 1997

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TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (REYES)
RE: DOCKET NO. 951056-WS - APPLICATION FOR RATE INCREASE IN
FLAGLER COUNTY BY PALM COAST UTILITY CORPORATION

0388-FOF

Attached is an ORDER GRANTING IN PART AND DENYING IN PART
MOTION FOR RECONSIDERATION, DENYING AMENDED AND SECOND AMENDED
MOTIONS FOR RECONSIDERATION, AND DENYING REQUESTS FOR ORAL
ARGUMENT, with attachments, to be issued in the above-referenced
docket. (Number of pages in Order - 32)

*Attachments
not on-line*

BLR/dp

Attachment

cc: Division of Water and Wastewater (Willis, Crouch, Merchant,
Moniz, Rendell, Starling, Washington, Webb)

I: 951056-O.BLR

mailed

Doc. #03563-97

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate) DOCKET NO. 951056-WS
increase in Flagler County by) ORDER NO. PSC-97-0388-FOF-WS
Palm Coast Utility Corporation) ISSUED: April 7, 1997
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER GRANTING IN PART AND DENYING IN PART MOTION FOR RECONSIDERATION, DENYING AMENDED AND SECOND AMENDED MOTIONS FOR RECONSIDERATION, AND DENYING REQUESTS FOR ORAL ARGUMENT

BY THE COMMISSION:

BACKGROUND

Palm Coast Utility Corporation (PCUC) is a utility, which provides water and wastewater service to the public in Flagler County. Palm Coast is located in a critical use area as designated by the St. Johns River Water Management District (SJRWMD). During the twelve months ending December 31, 1994 (the historical test year), the utility recorded operating revenues of \$5,007,702 for water service and \$2,951,217 for wastewater service. During the same period, Palm Coast reported a net operating loss of \$2,247 for water and net operating income of \$281,533 for wastewater.

On December 27, 1995, the utility filed an application for increased rates pursuant to Sections 367.081 and 367.082, Florida Statutes. The utility satisfied the minimum filing requirements (MFRs) on February 12, 1996 for a rate increase, and that date was designated as the official filing date pursuant to Section 367.083, Florida Statutes.

By Order No. PSC-96-0493-FOF-WS, issued April 9, 1996, the Commission approved interim rates for PCUC based upon a historic test year, designed to generate \$5,491,319 in annual water revenues and \$3,432,636 in annual wastewater revenues, subject to refund with interest. This represents a \$483,617 (9.66%) increase over water test year revenues and a \$481,419 (16.31%) increase over wastewater test year revenues.

A prehearing was held in Tallahassee on June 20, 1996. The hearing was held at the Knights of Columbus building in Palm Coast on July 1 and 2, 1996 and continued and concluded in Tallahassee on July 19, 1996. The Office of Public Counsel (OPC), Dunes Community Development District, and Flagler County intervened in this docket prior to the commencement of the technical hearing.

On November 7, 1996, this Commission issued Order No. PSC-96-1338-FOF-WS (Final Order) on the rate proceeding. On November 22, 1996, PCUC filed a Motion for Reconsideration (Motion) and a Request for Oral Argument. On December 2, 1996, OPC filed its response to PCUC's Motion and request. On January 24, 1997, PCUC filed an additional Request for Oral Argument and an Amended Motion for Reconsideration or, Alternatively, Motion to Correct Computational Errors (Amended Motion). On January 31, 1997, OPC filed its response to PCUC's Amended Motion. On February 26, 1997, PCUC filed its Second Amended Motion for Reconsideration or, Alternatively, Amended Motion to Correct Computational Errors (Second Amended Motion). OPC filed its response to this Second Amended Motion on March 3, 1997.

REQUESTS FOR ORAL ARGUMENT

Rule 25-22.058, Florida Administrative Code, permits the Commission to grant oral argument, provided, among other things, that the request state "with particularity why oral argument would aid the Commission in comprehending and evaluating the issues before it." In its requests, PCUC states that oral argument would assist the Commission in evaluating the complex issues addressed in its motions, with counsel available to answer any questions the Commission may have. We find that PCUC's first motion for reconsideration contains sufficient argument to render a fair and complete evaluation of the merits without oral argument. Therefore, PCUC's request for oral argument on its first motion for reconsideration is denied.

As to PCUC's requests for oral argument on its first and second amended motions for reconsideration, as will be discussed further in this Order, the motions are untimely and improper because they were not filed within fifteen days of the issuance of Order No. PSC-96-1338-FOF-WS, as required by Rule 25-22.060, Florida Administrative Code. Therefore, oral argument on these motions is inappropriate. Based on the foregoing, PCUC's requests for oral argument on its first and second amended motions for reconsideration are denied as well.

MOTION FOR RECONSIDERATION

In its original motion for reconsideration, PCUC divided its arguments into four areas of discussion: 1) First Set of Computational Errors: The approved water rates cannot generate the approved water revenue requirement; 2) Second Set of Computational Errors: The used and useful calculation for water and wastewater lines understates the number of occupied lots; 3) Third Set of Computational Errors: Four errors result in understated water and/or wastewater rate base; 4) Evidentiary Deficiency: There is no record support for the Commission's non-reconciliation of investment tax credits (ITCs) to rate base.

Rule 25-22.060(1)(a), Florida Administrative Code, permits a party who is adversely affected by an order of the Commission to file a motion for reconsideration of that order. The purpose of a motion for reconsideration is to point out some matter of law or fact which the Commission failed to consider or overlooked in its prior decision. Diamond Cab Co. of Miami v. King, 146 So.2d 889 (Fla. 1962); Pingtree v. Ouaintance, 394 So.2d 161 (1st DCA 1981). A motion for reconsideration is not an appropriate vehicle for mere reargument or to introduce evidence or arguments which were not previously considered. In Stewart Bonded Warehouse, Inc. v. Bevis, 294 So.2d 315, 317 (Fla. 1974), the Court found that the granting of a petition for reconsideration should be based upon specific factual matters set forth in the record and susceptible to review. We have applied the foregoing principles in our analysis.

Water Revenue Requirement

In its Motion, PCUC indicates that the water revenue requirement approved in the Final Order was \$5,094,035. Also, the water rates approved were intended to produce annual operating revenues of \$5,000,204. This amount properly excluded any miscellaneous revenues and reuse revenues. These amounts were removed in order to determine the appropriate water service rates. PCUC further indicates that a review of Commission staff's workpapers reveals that the approved water rates actually produce only \$4,726,281, excluding miscellaneous service, reuse, and bulk revenues. OPC, in its response, indicated that it would rely upon the Commission's staff to design rates to provide the utility with an opportunity to collect the revenue requirement authorized by the Final Order.

We have reviewed PCUC's motion regarding this computational error in the calculation of water rates and have determined that PCUC is correct. We first calculated the bulk water rate for the Hammock Dunes bulk contract water rate, then determined the

appropriate water rates for the remaining customers. However, in doing so, we removed the associated bulk revenues, but did not properly remove the associated factored ERCs and gallons for Hammock Dunes. Consequently, the remaining revenue requirement was allocated over a larger number of ERCs and gallons than actually exists. This causes the base facility and gallonage charges to be too low and does not produce the approved revenue requirement.

Therefore, PCUC's Motion for Reconsideration is granted on this issue, and the appropriate water rates shall be adjusted to reflect this error in calculation. The appropriate water rates will be addressed later in this Order.

Used and Useful

PCUC states that the number of occupied lots which were included in the used and useful calculations for water transmission and distribution lines, water services, and wastewater gravity lines are understated because general service and multi-family connections were not included in the numerator of the calculation. The number of connected lots was provided by staff witness Amaya who based her lot count upon PCUC's system maps. These maps were filed in compliance with Rule 25-30.440, Florida Administrative Code. The maps identified and provided a count of the total number of connected residential lots as of October 1995. The maps also identified and provided a count of the total number of platted residential lots. General service and multi-family customers were identified on these maps but were not included in the count of either the total number of connections or the total number of lots available for connection.

OPC responds that it would be improper to include the multi-family, general service and beachside connected lots in the numerator of the used and useful calculations since there is no evidence in the record that the denominator of the used and useful calculation includes anything other than residential lots.

Water Distribution Mains

In the Final Order, we determined that the distribution mains were 23.91% used and useful by adding the number of connected lots (10,415) to a margin reserve of 767 connections and then dividing this sum by the total number of lots on lines, 46,764.

PCUC argues that we erred by not including 377 general service and multi-family connections in the used and useful calculation. PCUC contends that including these 377 connections in the used and

useful calculation increases the distribution main used and useful percentage to 24.16%, a \$45,276 increase to rate base.

We agree that the total number of connected lots (10,415) which was used only includes residential connections. PCUC, however, did not provide any rebuttal testimony which questioned the numbers used by Ms. Amaya. Utility witness Guastella only testified that the Commission should continue to use the ratio of ERCs to connected lots in the used and useful calculation instead of the ratio of lots connected to total lots available. PCUC also failed to cross-examine Ms. Amaya about general service or multi-family connections not being included in her used and useful calculations.

We do not find it appropriate to add general service and multi-family customers to the numerator for the water distribution system. We have reviewed the maps and believe that the count for the total number of lots on lines (46,764) also includes only the platted residential lots on lines and does not include general-service or multi-family connections. Therefore, the distribution main used and useful percentage was calculated by taking the ratio of connected residential lots to total platted residential lots on lines. Since the denominator of the distribution main used and useful calculation does not include general service or multi-family connections, we do not believe it would be appropriate to include general service and multi-family connections in the numerator unless the total number of general service and multi-family lots on lines is also added to the denominator. There is no evidence in the record which indicates how many vacant general service or multi-family lots on lines are located within Palm Coast. Therefore, we find it appropriate to calculate the used and useful percentage for distribution mains by taking the ratio of connected residential lots to platted residential lots on lines. Accordingly, no mistake of fact or law has been made in this regard, and PCUC's motion for reconsideration on this point is denied.

We do find, however, that an adjustment to the total number of connected residential lots is appropriate. The number of residential connections used was based upon maps, dated October 1995, which were provided by PCUC. Even though PCUC's reconsideration motion did not explicitly question the number of residential connections which were used (10,415) in the distribution system used and useful calculation, PCUC's proposed recalculation does include this change. MFR Schedule E-3 indicates that the average number of residential connections during the test year was 11,031. Removing the 877 beachside connections reduces the test year average number of connected residential lots to

10,155. This adjustment is needed because the beachside distribution lines are contributed and were considered 100% used and useful. We further find that since an average test year was used, the test year average number of connected residential lots should also be used. We believe that the average number of residential connections from MFR Schedule E-3 provides a more accurate customer count of average 1995 customer connections than the maps, which only provide the customer count as of October 1995. Using the number of connected residential customers from MFR Schedule E-3 (10,155 instead of 10,415) reduces the water distribution system used and useful percentage to 23.36%, a \$100,615 reduction to rate base.

Water Transmission Mains

As was the case for the water distribution lines, the numerator of the used and useful calculation for water transmission mains was computed by adding the total number of residential connections (10,415) and a margin reserve of 767, once again excluding the 377 general service and multi-family connections. This sum was then divided by the total equivalent lots served by the transmission mains (34,651). The 34,651 total for lots served by transmission mains was calculated by taking a weighted ratio of existing transmission mains and build-out transmission mains. The 34,651 total for equivalent lots served by transmission mains is not related to the 46,764 platted residential lots on lines which were used to calculate the distribution main used and useful percentage.

PCUC argues that we erred by not including the 377 general service and multi-family customers and the 877 beachside customers in the numerator of the transmission main used and useful calculation. Since the denominator of the transmission main used and useful calculation includes transmission lines which are needed to serve current general service, multi-family, and beachside connections, we find that this adjustment is appropriate for the transmission mains. Accordingly, PCUC's motion for reconsideration on this point is granted.

While it may appear inconsistent to include general service and multi-family connections for the transmission main used and useful calculation but not for the distribution main used and useful calculation, we believe that this treatment is appropriate. The denominator of the used and useful calculation for distribution mains is based upon total platted residential lots on lines. The denominator of the transmission main used and useful calculation is instead based upon the ratio of linear feet of transmission mains

currently installed to the total linear feet transmission mains which will be installed at build-out.

Including the general service, multi-family, and beachside connections in the numerator of the transmission main used and useful calculation increases the used and useful percentage to 35.14%, a \$223,733 increase to rate base. As was the case for distribution lines, the average number of connected residential customers from MFR Schedule E-3 (10,155) has been used instead of customer count from the maps (10,415).

Water Services

As was the case for both the transmission and distribution mains, the numerator of the used and useful calculation for water services was calculated by adding the number of residential connections, 10,415, and a margin reserve of 767. This total was then divided by the total number of services installed, 15,172. The total number of installed services was provided by utility witness Guastella.

PCUC argues that we also erred by not including the 377 general service and multi-family connections and the 877 beachside connections in the numerator of the used and useful calculation. Including these connections would increase the used and useful percentage to 80.25%, a \$67,826 increase to rate base.

We find that the 377 general service and multi-family connections should be included in the used and useful calculation since these service connections appear to have been included in Mr. Guastella's 15,172 total. We do not find it appropriate, however, to include the 877 beachside connections in the calculation because Mr. Guastella specifically excluded the 877 beachside services from his used and useful calculation for water services. Accordingly, PCUC's motion for reconsideration on this ground is granted in part and denied in part.

Including the 377 general service and multi-family connections increases the water service used and useful percentage to 74.47%, a \$7,984 increase to rate base. As was the case for both the distribution and transmission mains, we have used the test year average number of residential connections (10,155) instead of the customer count from the maps (10,415).

Wastewater Gravity Mains

We determined that the wastewater gravity mains were 34.29% used and useful by adding the total number of connected lots

(8,175) to a margin reserve of 418 and then dividing this sum by the total number of lots connected to the gravity system, 25,062.

PCUC argues that we erred by not including the 334 general service and multi-family wastewater connections in the gravity main used and useful calculation. Including the 334 general service and multi-family connections, as well as using the average test year connections, increases the used and useful percentage to 37.28%, a \$679,548 increase to rate base.

As was the case for the water distribution system, our review of the system maps indicates that the 25,062 total for number of lots on lines does not include general service and multi-family lots. Therefore, no adjustment for general service and multi-family connections is appropriate for the numerator unless the denominator is also adjusted. Adjusting the denominator is impractical since the maps do not count how many vacant general service and multi-family lots are connected to the system. Accordingly, PCUC's motion for reconsideration on this point is denied as no mistake of fact or law has been made in this regard.

We do find, however, that the average number of connected lots (8,175) which was used should be changed. MFR Schedule E-3 indicates that the test year average number of residential customers was 9,872. Of these 9,872 residential connections, 1,281 were connected to the PEP system and not the gravity lines. Therefore, the gravity system had 8,591 average test year residential connections instead of the 8,175 which were used in the gravity main used and useful calculation. Using the count of residential connections from MFR Schedule E-3 increases the used and useful percentage to 35.95%, a \$377,274 increase to rate base.

Water and Wastewater Rate Base

In its Motion, PCUC also requested that we reconsider our decision on wastewater rate base. PCUC claims that we made four errors in our calculation of water and wastewater rate base. OPC, in its response, indicated that they would rely upon the Commission staff to evaluate the merits of the questions raised by PCUC. We will discuss each claim separately.

First, the utility maintains that in converting from year-end to average, the average balance of wastewater account 106, undistributed plant was excluded in its entirety. The year-end balance of this account was zero, but the 13-month average balance was \$173,869. In our review of the Final Order, we discovered that in the conversion from a year-end to 13-month average rate base, we failed to include \$173,869 in undistributed plant. Therefore, we

have increased wastewater rate base by \$173,869 to reflect this calculation error.

Second, the utility claims that the 13-month average balance of Account 354.4, Treatment and Disposal Structures and Improvements, was understated in the Final Order. According to the utility, during the month of September, 1995, it transferred \$179,081 for an oxidation basin train to Account 103.0, plant held for future use. When the utility plant accounts were adjusted from year-end to 13-month average, PCUC argues that this adjustment was made on a year-end basis not the 13-month average basis. Since the utility removed this plant in September, 1995, PCUC argues that the 13-month average adjustment should have been a decrease of only \$55,102 ($4/13 \times \$179,081$). Accordingly, PCUC believes the account was understated in the Final Order by \$155,699.

We agree that the cost of the oxidation basin was removed from plant in service. However, pursuant to Section 367.081, Florida Statutes, only the cost related to used and useful plant should be included in rate base. Therefore, because it was considered non-used and useful on a year-end basis, we believe it should also be considered non-used and useful for a 13-month average test year. Based on this, we find that no computational error was made. Therefore, no adjustment is necessary.

Third, the utility asserts that we failed to include a \$55,102 adjustment to transfer the oxidation basin from Account 354.4 to Account 103.0, plant held for future use. This adjustment has no impact on rate base because it is related to non-used and useful plant. Further, it is a fall-out of the 13-month average balance of Account 354.4, Treatment and Disposal Structures and Improvements, discussed above, and because we have determined that no adjustment is necessary to increase plant in service for the cost of the oxidation basin, we find that no adjustment should be made for this item.

Fourth, PCUC states that the imputation of any CIAC constitutes an error. The Motion further addresses the fact that the system capacity charges proposed by the utility in Docket No. 951593-WS, the utility's application for a change in service availability charges, were utilized to impute CIAC in the instant case. The recommendation for Docket No. 951593-WS had not yet gone to the Commission Agenda Conference at the time of our decision on imputation of CIAC in the instant case. The prior system capacity charges found on MFR Schedules E-10, in the instant case, are \$766 and \$1,466 for water and wastewater, respectively. The system capacity charges requested by the utility in Docket No. 951593-WS were \$1,500 per ERC for water and \$1,600 per ERC for wastewater.

In Order No. PSC-96-1430-FOF-WS, issued November 21, 1996, we approved an increase in water plant capacity charges and denied an increase in wastewater capacity charges. The final approved charges are \$1,500 and \$1,390 for water and wastewater, respectively. In its Motion, the utility suggests that an adjustment be made in the instant case to the final numbers for imputation of CIAC, based on the latest approved system capacity charges.

The Final Order in the instant case addresses our decision to utilize the proposed system capacity charges rather than the then-current system capacity charges. We agreed with OPC witness Dismukes' testimony which stated that because the margin reserve period is beyond the test year, it was appropriate to use the proposed charges. Our decision was based on the evidence in the record. The newly approved system capacity charges are outside the record in the instant case. Accordingly, no mistake of fact or law has been made in this regard. Therefore, the utility's Motion on this adjustment is denied.

However, we did find two mathematical errors in our original calculation of imputing CIAC on the margin reserve in the Final Order. The first error was that the number of ERCs included in the wastewater treatment plant margin reserve was based on the three year period originally recommended by staff. This should have been changed to one and one half years consistent with our vote at the final agenda. The second error relates to limiting the amount of CIAC imputed to that amount of net plant included in the margin reserve.

Accordingly, we find that the correct amount of CIAC on the margin reserve should be \$688,310 for water and \$680,040 for wastewater. We have increased Accumulated Amortization of CIAC by \$10,968 and \$10,439 for water and wastewater, respectively, and have increased test year amortization of CIAC by \$21,936 for water and \$20,877 for wastewater.

Non-reconciliation of Investment Tax Credits

In its Motion, PCUC requests that we reconsider our decision of the nonreconciliation of investment tax credits (ITCs). PCUC has not requested reconsideration of our decision of the nonreconciliation of the customer deposits or the specific adjustment to ITCs of \$129,534, an imputation consistent with an adjustment made in PCUC's last rate case.

In summary, PCUC states that there is no record support for our decision to deviate from PCUC's MFR presentation, which

reconciled all components of its capital to rate base on a pro rata basis. In support of its position, PCUC first states that the record includes OPC's calculation which shows pro rata reconciliation. Further, PCUC points out, under cross-examination, utility witness Seidman agreed that it was appropriate to specifically identify ITCs related to rate base, with the caveat, "if they can be [so] identified." PCUC also argues that there is no Commission rule requiring utilities to specifically identify ITCs as being related to specific plant. In addition, non-pro rata reconciliation of the ITCs is inconsistent with the decision in PCUC's last rate case. PCUC also states that staff did not propose an amount of ITCs with which Mr. Seidman could agree or disagree, and no other witness either proposed not to reconcile ITCs or was cross-examined on the subject. Finally, PCUC argues, "[i]n actuality, all ITCs are not related to rate base. In actuality, all ITCs cannot be identified with rate base: they are related to plant, some of which is in rate base and some of which is not, depending on the used and useful adjustments to such plant balances. These actualities, however, are not reflected in the record.

OPC, in its Response to PCUC's Motion, states that it was the testimony of the utility's witness that was the basis for our decision and cites the same transcript reference cited by PCUC. Thus, OPC states failure to reveal OPC's method of rate base reconciliation should have no bearing on our decision on reconsideration. OPC further states that PCUC's contentions are a reargument of the issues and present no error of fact or law.

The record in this case clearly reflects that PCUC reconciled all capital components to rate base on a pro rata basis in its MFR presentation. The record also reflects that OPC's calculation included a pro rata reconciliation of ITCs as well. In addition, Mr. Seidman testified that it was his understanding that the Commission uses a reconciled capital structure across the board except for customer deposits, which can be specifically identified with the utility customers. In his prefiled rebuttal testimony, Mr. Seidman agreed to Ms. Dismukes' specific identification of customer deposits. Mr. Seidman also testified that it is appropriate to include in the capital structure ITCs specifically related to rate base, if they can be so identified. Furthermore, the record reflects that Witness Dismukes proposed a specific adjustment to ITCs consistent with our decision in the utility's last rate case. On rebuttal, Mr. Seidman agreed with Ms. Dismukes's adjustment to the ITCs. During cross-examination, Mr. Seidman agreed that the 13-month average balance of ITCs would be increased by \$129,534.

We note that this evidence was discussed in the Final Order with the exception of OPC's reconciliation method. Both the testimony of Ms. Dismukes and Mr. Seidman regarding the \$129,534 specific adjustment to ITCs was addressed in the Order. The Order states that the MFRs and Mr. Seidman's testimony reconciled rate base and capital structure on a pro rata basis. The Order further states that it was Mr. Seidman's understanding that the Commission reconciled rate base and capital across the board except for customer deposits which can be specifically identified with utility customers. However, Mr. Seidman did not initially make that adjustment; nor did he initially make the ITC imputation made in the Company's last rate case. The Order also includes the fact that Mr. Seidman agreed that it is acceptable to include in the capital structure, customer deposits, ITCs, and deferred taxes when they can be specifically identified and reconcile the remainder on a pro rata basis.

However, we do not believe that the Order adequately reflects that we rejected this evidence in reaching our decision that a pro rata investment tax credit reconciliation was not appropriate. To that extent, our decision should be clarified.

PCUC's motion contains several new arguments to support a pro rata reconciliation. This information is not in the record and has not been relied on in clarifying our initial vote. "The purpose of reconsideration is merely to bring to the attention of the . . . administrative agency some point which it overlooked or failed to consider when it rendered its order in the first instance." Diamond Cab Co. of Miami v. King, 146 So.2d 889 (Fla. 1962). Therefore, it is not appropriate on reconsideration to consider new arguments which the utility failed to initially present.

We do not believe that PCUC provided any specific evidence in the record to support a pro rata reconciliation. Both PCUC and OPC made the calculation on that basis without comment as to why it was appropriate. Mr. Seidman's prefiled testimony merely said it was done in that manner without any further explanation. On cross examination, Mr. Seidman said it is his understanding that the Commission reconciles over all sources except customer deposits but did not provide any orders or other support for his belief.

Although Mr. Seidman said it is appropriate to specifically identify ITCs when it is possible to do so and spread the remaining difference pro rata over all sources, he did not say it is impossible in this case. He did not provide an amount of ITCs that are related to plant not in rate base. Nor did he provide a method of identifying an amount of ITCs that are related to plant not in rate base. Based on Mr. Seidman's statement that specific

identification is appropriate when ITCs can be specifically identified, his failure to say they cannot be so identified, and his failure to provide an amount that should be excluded because it was related to plant not in rate base, we believe that it could be reasonably inferred that all ITCs can be specifically identified to plant in rate base and, thus, pro rata reconciliation was not appropriate.

The burden of proof in a Commission proceeding is always on the utility or other party seeking a change in rates. Florida Power Corp. v. Cresse, 413 So.2d 1187 (Fla. 1982). The utility failed to carry its burden of proof on this issue and should not be permitted to benefit from that failure. See Gulf Power Co. v. Florida Public Service Commission, 453 So.2d 799 (Fla. 1984). Therefore, we find that we did not err in our decision to not reconcile the ITCs on a pro rata basis. Further, we find that PCUC's arguments in its motion are in fact reargument of the issue and present no error of fact or law. Accordingly, PCUC's motion is denied.

FIRST AND SECOND AMENDED MOTIONS FOR RECONSIDERATION

As stated earlier, on January 24, 1997, PCUC filed an Amended Motion for Reconsideration or, Alternatively, Motion to Correct Computational Errors, along with a request for oral argument on this motion. On January 31, 1997, OPC filed its response to PCUC's amended pleading. On February 26, 1996, PCUC also filed a Second Amended Motion for Reconsideration, or, Alternatively, Motion to Correct Computational Errors, along with a request for oral argument. On March 3, 1996, OPC filed a response to PCUC's second amended motion.

In its motions, PCUC states that the amended motions are filed pursuant to Rule 25-22.035(3), Florida Administrative Code, and Rule 1.190, Fla.R.Civ.P. In its first amended motion, PCUC states that it has discovered an additional set of staff computational errors which have a significant impact on the financial integrity of the utility. PCUC also styled its motion in the alternative as a motion to correct computation errors and alleges that given the pendency of PCUC's original motion, the Order remains under the Commission's control. PCUC further states that the Commission has the inherent power to reconsider or amend final orders still under its control and that extraordinary circumstances warrant its corrections. In response, OPC states that Commission rules do not contemplate such an amended motion and that the motion as filed is untimely pursuant to Rule 25-22.060, Florida Administrative Code, and Rule 1.190, Fla.R.Civ.P.

In its second amended motion, PCUC states that after the utility's February 19, 1997 meeting with staff, OPC, and Flagler County, PCUC revisited the staff workpapers in order to understand errors which were explained to PCUC by staff during that meeting. During the course of that review, PCUC allegedly first became aware that the calculation of the imputed CIAC related to wastewater treatment plant was erroneously based on a margin reserve period of 36 months rather than the 18-month margin reserve period approved by the Commission in Order No. PSC-96-1338-FOF-WS. In response, OPC reiterates that Commission rules do not authorize amended motions for reconsideration and that the motion is untimely.

PCUC relies on Rule 25-22.035(3), Florida Administrative Code, and Rule 1.190, Fla.R.Civ.P., as support for authority for filing its amended motions. Rule 25-22.035(3), Florida Administrative Code, provides that generally the Florida Rules of Civil Procedure shall govern in proceedings before the Commission, except that the provisions of the Commission's rules supersede the Florida Rules of Civil Procedure where a conflict arises between the two. Rule 1.190, Fla.R.Civ.P., authorizes a party to amend a pleading as a matter of course at any time before a responsive pleading is served, or if the pleading is one to which no responsive pleading is permitted and the action has not been placed on the trial calendar, may so amend it any time within 20 days after the original pleading has been served. Otherwise, a party may amend a pleading only by leave of court or by written consent of the adverse party.

Rule 25-22.060, Florida Administrative Code, which is the relevant rule addressing this matter, requires motions for reconsideration to be filed no later than fifteen days after issuance of a final order. Failure to timely file a motion for reconsideration constitutes a waiver of the right to seek reconsideration. Pursuant to City of Hollywood v. Public Employee Relations Commission, 432 So.2d 79 (Fla. 4th DCA 1983), the time permitted to file a motion for reconsideration is non-discretionary, and the Commission may not consider an untimely motion for reconsideration. See also, Citizens of the State of Florida v. North Fort Meyers Utility, Inc. and the Public Service Commission. (Fla. 1st DCA, Case No. 95-1439, November 16, 1995 order dismissing appeal).

We find that both amended motions are additional motions for reconsideration and, therefore, are untimely and improper because the amended/alternative motions were not filed within fifteen days of the issuance of Order No. PSC-96-1338-FOF-WS. Pursuant to City of Hollywood, we cannot consider an untimely motion for reconsideration. Furthermore, pursuant to Rule 25-22.035(3),

Florida Administrative Code, because Rule 25-22.060, Florida Administrative Code, conflicts with Rule 1.190, Fla.R.Civ.P., Rule 25-22.060 supersedes. Even if there were no conflict between the rules, we further believe that the motions are also untimely under Rule 1.190, Fla.R.Civ.P., because the amended pleadings were filed after OPC's initial responsive pleading. Based on the foregoing, PCUC's first and second amended motions for reconsideration and alternative motions to correct computational errors are denied.

COMMISSION'S NON-USED AND USEFUL ADJUSTMENT TO WATER RATE BASE

Upon further review of our workpapers, we discovered that an error was made in calculating the amount of non-used and useful plant in the water system. The formulas used to determine the water non-used and useful total for the General Plant accounts, added both the Other accounts and General Plant accounts, instead of just the General Plant accounts. The error resulted in non-used and useful water plant being overstated by \$2,580,944. In our review, we also discovered that the same type of error occurred in non-used and useful accumulated depreciation, which was overstated by \$89,797. No adjustments are necessary to depreciation expense since it was calculated correctly.

Based on the above, we find it appropriate to make an adjustment to correct the computational error discovered in our workpapers. This adjustment results in a net decrease to non-used and useful water plant of \$2,491,147.

RATE BASE

Based upon a 13-month average rate base determination and our adjustments on reconsideration, the appropriate rate base amounts are \$13,372,875 for water and \$5,654,867 for wastewater. The water and wastewater rate base and adjustment schedules are attached as Schedules 1-A, 1-B, and 1-C.

COST OF CAPITAL

As a result of our decision regarding the non-reconciliation of investment tax credits to rate base discussed previously, we find that the appropriate weighted average cost of capital is 8.13%.

REVENUE REQUIREMENT

The revenue requirement is a calculation based on our decisions regarding rate base, cost of capital, and operating expenses. The utility requested final rates designed to generate

annual revenues of \$6,971,647 and \$4,906,850 for water and wastewater, respectively. These requested revenues exceed our adjusted test year revenues by \$1,571,283 (22.54%) for the water operations and \$1,619,645 (33.01%) for the wastewater operations. Based upon our decisions on reconsideration with regard to the underlying rate base, cost of capital, and operating income amounts, we find it appropriate to approve rates that are designed to generate a revenue requirement of \$5,373,161 for water and \$3,186,512 for wastewater.

The Final Order revenue requirement amounts were \$5,094,035 and \$3,105,262 for water and wastewater, respectively. Our adjustments on reconsideration represent increases of \$279,126 and \$81,250 for water and wastewater, respectively, over the Final Order revenue requirements.

RATES AND RATE STRUCTURE

Bulk Water Rate

In our Final Order, we approved applying the same percentage increase to PCUC's current bulk rate as applied across-the-board in determining other water rates. This methodology is still applicable; however, on reconsideration we have reviewed, on our own motion, the calculation of water rate base and revenue requirement. Therefore, based upon this reconsideration, we find that the appropriate bulk water rate for PCUC to charge Hammock Dunes should be a BFC of \$194.79 and a gallonage charge of \$1.00.

Rates

The utility's requested revenues represent increases of \$1,479,626 (26.94%) for water and \$1,575,817 (47.31%) for wastewater based on the projected test year ending December 31, 1995. We find it appropriate to approve final rates for the utility which are designed to produce annual operating revenues of \$5,276,493 for water and \$3,101,936 for wastewater using the base facility charge rate design. However, the approved service revenues exclude any miscellaneous revenues, bulk water revenues, and reuse revenues. Also, consistent with our decisions herein, because bulk revenues are removed, the corresponding billing determinants shall be removed prior to calculating the water service rates.

The utility shall file revised tariff sheets and a proposed customer notice to reflect the appropriate rates pursuant to Rule 25-22.0407(10), Florida Administrative Code. The approved rates shall be effective for service rendered on or after the stamped

approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates shall not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of notice. The revised tariff sheets will be approved upon staff's verification that the tariffs are consistent with our decision and the proposed customer notice is adequate.

The comparison of the utility's original rates, interim rates, requested rates, and our approved rates is shown on Schedule Nos. 4-A and 4-B.

Rate Case Expense Apportionment

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately by the amount of the rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

Accordingly, we find that the water rates should be reduced by \$51,176 and the wastewater rates should be reduced by \$51,176 as shown in Schedules Nos. 5-A and 5-B. The revenue reductions reflect the annual rate case amounts amortized (expense) plus the gross-up for regulatory assessment fees.

The utility shall file tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed customer letter setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Interim Refund

In Order No. PSC-96-0493-FOF-WS, issued on April 9, 1996, the utility's proposed rates were suspended and interim water and wastewater rates were approved subject to refund, pursuant to Sections 367.082, Florida Statutes. The approved interim revenues are shown below:

	<u>Revenues</u>	<u>Increase</u>	<u>Percentage</u>
Water	\$5,491,319	\$483,617	9.66%
Wastewater	\$3,432,636	\$481,419	16.31%

To establish the proper refund amount, we have calculated a revised interim revenue requirement with the same data used to establish final rates, as adjusted for the corrections we have made on reconsideration. Rate case expense was again excluded because it was not an actual expense during the interim collection period.

Using the principles discussed in our Final Order, we have calculated the revenue requirement for the interim collection period to be \$5,321,985 for water and \$3,135,336 for wastewater. The interim revenue requirements exceed these amounts. In order to determine the appropriate refund percent, miscellaneous revenues have been excluded. Therefore, we find the appropriate refund percentage to be 3.11% for water and 8.81% for wastewater for the interim period.

In addition to the refund being made with interest as required by Rule 25-30.360(4), Florida Administrative Code, the utility shall submit the proper refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code. Also, the utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

CLOSING OF DOCKET

This docket shall be closed 32 days after issuance of this Order, to allow time for filing an appeal to run, upon staff's verification that the utility has completed the required refunds with interest and the proper revised tariff sheets and customer notice have been filed by the utility and approved by staff. Further, the utility's corporate undertaking may be released upon staff's verification that the refunds have been completed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Palm Coast Utility Corporation's Motion for Reconsideration of Order No. PSC-96-1338-FOF-WS is hereby granted in part and denied in part, as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

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DOCKET NO. 951056-WS
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ORDERED that all matters contained herein, whether in the form of discourse in the body of this Order or schedules attached hereto are by reference incorporated herein. It is further

ORDERED that Palm Coast Utility Corporation's Amended Motion and Second Amended Motion for Reconsideration and Requests for Oral Argument are hereby denied. It is further

ORDERED that the rates approved herein shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets provided the customers have received notice. It is further

ORDERED that, prior to the implementation of the rates approved herein, Palm Coast Utility Corporation, shall submit a proposed customer notice explaining the changed rates and the reasons therefor. It is further

ORDERED that, prior to the implementation of the rates approved herein, Palm Coast Utility Corporation shall submit and have approved, revised tariff sheets. The revised tariff sheets will be approved upon staff's verification that they are consistent with the Commission's decision and that the proposed customer notice is adequate. It is further

ORDERED that Palm Coast Utility Corporation shall refund with interest and in conformity with Rule 25-30.060, Florida Administrative Code, 3.11 percent of the water revenues and 8.81 percent of the wastewater revenues collected under interim rates. It is further

ORDERED that, prior to the implementation of the refund, Palm Coast Utility Corporation shall submit and have approved the water and wastewater refund rates along with supporting documentation of the calculation of those rates. It is further

ORDERED that the refund and the refund report shall be completed in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that the rates approved herein shall be reduced at the end of the four-year rate case expense amortization period. Palm Coast Utility Corporation shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall also file a customer notice. It is further

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ORDERED that Palm Coast Utility Corporation shall file all required reports within the time period prescribed in the body of this Order. It is further

ORDERED that this docket shall be closed 32 days after issuance of this Order, to allow time for filing an appeal to run, upon staff's verification that the utility has completed the required refunds with interest and the proper revised tariff sheets and customer notice have been filed by the utility and approved by staff.

By ORDER of the Florida Public Service Commission, this 7th day of April, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

BLR

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NOTICE OF 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.

Any party adversely affected by the Commission's final action in this matter may request 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 by filing a notice of appeal with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

PALM COAST UTILITY CORPORATION-RECONSIDERATION			SCHEDULE NO. 1-A			
SCHEDULE OF WATER RATE BASE			DOCKET NO. 951056-WS			
TEST YEAR ENDED 12/31/95						
COMPONENT	TEST YEAR PER UTILITY YEAR-END	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJ. AVERAGE TEST YEAR	
1 UTILITY PLANT IN SERVICE	\$ 63,505,519	(2,128,199)	\$ 61,377,320	(1,089,914)	60,287,406	
2 LAND & LAND RIGHTS	504,632	0	504,632	0	504,632	
3 NON-USED & USEFUL COMPONENTS	(8,602,553)	0	(8,602,553)	(7,896,742)	(16,499,295)	
4 CWIP	3,992,210	(3,992,210)	0	0	0	
5 ACCUMULATED DEPRECIATION	(20,996,438)	1,074,065	(19,922,373)	957,830	(18,964,543)	
6 CIAC	(16,390,083)	0	(16,390,083)	683,201	(15,706,882)	
7 AMORTIZATION OF CIAC	3,241,580	0	3,241,580	(241,452)	3,000,128	
8 NET DEBIT DEFERRED TAXES (USED)	1,119,911	0	1,119,911	(368,482)	751,429	
9	0	0	0	0	0	
10 ADVANCES FOR CONSTRUCTION	(2,672,139)	2,672,139	0	0	0	
11 WORKING CAPITAL ALLOWANCE	0	0	0	0	0	
12 OTHER	0	0	0	0	0	
RATE BASE	\$ 23,702,639	(2,374,205)	\$ 21,328,434	(7,955,559)	13,372,875	

PALM COAST UTILITY CORPORATION-RECONSIDERATION SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 12/31/95			SCHEDULE NO. 1-B DOCKET NO. 951056-WS		
COMPONENT	TEST YEAR PER UTILITY YEAR-END	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJ. AVERAGE TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 56,249,291	2,128,199 \$	58,377,490	(3,718,488)	54,659,002
2 LAND & LAND RIGHTS	1,153,532	0	1,153,532	(525,555)	627,977
3 NON-USED & USEFUL COMPONENTS	18,345,687	426,872	18,772,559	(6,710,060)	12,062,499
4 CWIP	0	0	0	0	0
5 ACCUMULATED DEPRECIATION	(18,107,234)	(986,635)	(19,093,869)	892,137	(18,201,732)
6 CIAC	(61,045,743)	0	(61,045,743)	470,776	(60,574,967)
7 AMORTIZATION OF CIAC	16,511,375	0	16,511,375	(789,132)	15,722,243
8 DEBIT DEFERRED INCOME TAXES	1,940,403	0	1,940,403	79,784	2,020,187
9	0	0	0	0	0
10 ADVANCES FOR CONSTRUCTION	(990,073)	405,534	(584,539)	(75,803)	(660,342)
11 WORKING CAPITAL ALLOWANCE	0	0	0	0	0
12 OTHER	0	0	0	0	0
RATE BASE	\$ 14,057,238	1,973,970 \$	16,031,208	(10,376,341)	5,654,867

**PALM COAST UTILITY CORPORATION
ADJUSTMENTS TO RATE BASE
TEST YEAR ENDED 12/31/95**

**SCHEDULE NO. 1-C
DOCKET NO. 951056-WS**

EXPLANATION	WATER	WASTEWATER
<u>PLANT IN SERVICE</u>		
To reflect 13-month average test year	<u>(1,089,914)</u>	<u>(3,718,488)</u>
<u>LAND</u>		
1 Adjust cost from affiliate for sprayfield site	0	(207,233)
2 Adjust cost from affiliate for Rib site	0	(318,322)
Total	<u>0</u>	<u>(525,555)</u>
<u>NON-USED AND USEFUL</u>		
To reflect net non-used and useful adjustment	<u>(7,896,742)</u>	<u>(6,710,060)</u>
<u>ACCUMULATED DEPRECIATION</u>		
1 To reflect 13-month average test year	<u>957,830</u>	<u>892,137</u>
<u>CIAC</u>		
1 To reflect 13-month average test year	1,371,511	1,150,816
2 Imputation of CIAC-MR	(688,310)	(680,040)
Total	<u>683,201</u>	<u>470,776</u>
<u>ACCUM. AMORT. OF CIAC</u>		
1 To reflect 13-month average test year	(252,420)	(799,571)
2 Imputation of CIAC on margin reserve	10,968	10,439
Total	<u>(241,452)</u>	<u>(789,132)</u>
<u>DEFERRED INCOME TAXES</u>		
To reflect 13-month average test year	<u>(368,482)</u>	<u>79,784</u>
Total		
<u>ADVANCES FOR CONSTRUCTION</u>		
To reflect 13-month average test year	<u>0</u>	<u>(75,803)</u>

PALM COAST UTILITY CORPORATION-RECONSIDERATION
 CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 2
 DOCKET NO. 951056-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY 1995 - YEAR-END							
1 LONG TERM DEBT	12,125,000	0	(643,582)\$	11,481,418	30.73%	7.24%	2.23%
2 SHORT-TERM DEBT	4,312,000	0	(228,876)	4,083,124	10.93%	7.73%	0.84%
3 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
4 COMMON EQUITY	20,265,735	0	(1,075,683)	19,190,052	51.37%	11.10%	5.70%
5 CUSTOMER DEPOSITS	485,000	0	(25,743)	459,257	1.23%	6.00%	0.07%
6 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-ZERO COST	2,266,072	0	(120,281)	2,145,791	5.74%	0.00%	0.00%
8 OTHER	0	0	0	0	0.00%	0.00%	0.00%
9 TOTAL CAPITAL	<u>39,453,807</u>	0	<u>(2,094,165)\$</u>	<u>37,359,642</u>	<u>100.00%</u>		<u>8.85%</u>
PER STAFF 1995 - 13-MONTH AVERAGE							
10 LONG TERM DEBT	12,557,692	0	(6,959,922)\$	5,597,770	29.42%	7.24%	2.13%
11 SHORT-TERM DEBT	3,668,231	0	(2,033,065)	1,635,166	8.59%	7.73%	0.66%
12 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
13 COMMON EQUITY	19,943,543	0	(11,053,424)	8,890,119	46.72%	11.10%	5.19%
14 CUSTOMER DEPOSITS	458,926	0	0	458,926	2.41%	6.00%	0.14%
15 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
15 DEFERRED ITC'S-ZERO COST	2,316,226	129,534	0	2,445,760	12.85%	0.00%	0.00%
16 OTHER	0	0	0	0	0.00%	0.00%	0.00%
17 TOTAL CAPITAL	<u>38,944,618</u>	<u>129,534</u>	<u>(20,046,411)\$</u>	<u>19,027,741</u>	<u>100.00%</u>		<u>8.13%</u>
RANGE OF REASONABLENESS					LOW	HIGH	
RETURN ON EQUITY					<u>10.10%</u>	<u>12.10%</u>	
OVERALL RATE OF RETURN					<u>7.66%</u>	<u>8.59%</u>	

PALM COAST UTILITY CORPORATION-RECONSIDERATION
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-A
 DOCKET NO. 951056-WS

DESCRIPTION	TEST YEAR PER UTILITY 1995	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR/ UTILITY 1995	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 5,384,699	\$ 1,586,948	\$ 6,971,647	\$ (1,571,283)	5,400,364	(27,203)	5,373,161
OPERATING EXPENSES:						-0.50%	
2 OPERATION AND MAINTENANCE	\$ 3,026,338	\$ (222,018)	\$ 2,804,320	\$ (44,132)	2,760,188		2,760,188
3 DEPRECIATION	1,621,374	(437,104)	1,184,270	(366,960)	817,310		817,310
4 AMORTIZATION	(82,781)	(5,469)	(88,250)	5,469	(82,781)		(82,781)
5 TAXES OTHER THAN INCOME	874,220	(180,899)	693,321	(166,097)	527,224	(1,224)	525,999
6 INCOME TAXES	(289,553)	781,183	491,630	(216,037)	275,593	(9,776)	265,817
7 TOTAL OPERATING EXPENSES	\$ 5,149,598	\$ (64,307)	\$ 5,085,291	\$ (787,758)	4,297,533	(11,000)	4,286,533
8 OPERATING INCOME	\$ 235,101	\$ 1,651,255	\$ 1,886,356	\$ (783,525)	1,102,831	(16,203)	1,086,628
9 RATE BASE	\$ 23,702,639		\$ 21,328,434		13,372,875		13,372,875
RATE OF RETURN	0.99%		8.84%		8.25%		8.13%

PALM COAST UTILITY CORPORATION-RECONSIDERATION
STATEMENT OF WASTEWATER OPERATIONS
TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-B
DOCKET NO. 951056-WS

DESCRIPTION	TEST YEAR PER UTILITY 1995	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR/ UTILITY 1995	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 3,150,538	\$ 1,756,312	\$ 4,906,850	(1,619,645)	3,287,205	(100,693)	3,186,512
OPERATING EXPENSES						-3.06%	
2 OPERATION AND MAINTENANCE	\$ 2,049,154	\$ (80,503)	\$ 1,968,651	(54,030)	1,914,621		1,914,621
3 DEPRECIATION	35,244	728,836	764,080	(324,273)	439,807		439,807
4 AMORTIZATION	(57,525)	(1,309)	(58,834)	1,309	(57,525)		(57,525)
5 TAXES OTHER THAN INCOME	258,285	187,325	445,610	(123,366)	322,244	(4,531)	317,713
6 INCOME TAXES	131,947	237,542	369,489	(220,900)	148,589	(36,186)	112,403
7 TOTAL OPERATING EXPENSES	\$ 2,417,105	\$ 1,071,891	\$ 3,488,996	(721,259)	2,767,737	(40,717)	2,727,020
8 OPERATING INCOME	\$ 733,433	\$ 684,421	\$ 1,417,854	(898,386)	519,468	(59,976)	459,492
9 RATE BASE	\$ 14,057,238		\$ 16,031,208		5,654,867		5,654,867
RATE OF RETURN	5.22%		8.84%		9.19%		8.13%

**PALM COAST UTILITY CORPORATION-RECONSIDERATION
 ADJUSTMENTS TO OPERATING STATEMENTS
 TEST YEAR ENDED 12/31/95**

**SCHEDULE NO. 3-C
 DOCKET NO. 951056-WS**

EXPLANATION	WATER	WASTEWATER
<u>OPERATING REVENUES</u>		
1 Remove requested final revenue increase	(1,479,626)	(1,575,817)
2 To include non-utility income	1,802	50,834
3 To remove year end adjustment	(93,459)	(94,662)
Total	<u>(1,571,283)</u>	<u>(1,619,645)</u>
<u>OPERATION & MAINTENANCE EXPENSE</u>		
1 Adjustment per stipulation No. 2 (Audit Exception No. 4)	(6,276)	896
2 Remove unsupported affiliate charges	(15,153)	(10,259)
3 Remove non-recurring personnel services expenses	(10,204)	(6,909)
4 Remove non-recurring legal fees	(4,457)	(3,017)
5 Reflect additional current rate case expense	11,185	11,185
6 To reduce chamber dues & rental expenses per Stipulation No. 3	(828)	(36,981)
7 To remove year end adjustment for power & chemicals	(18,399)	(8,945)
Total	<u>(44,132)</u>	<u>(54,030)</u>
<u>DEPRECIATION EXPENSE-NET</u>		
1 Imputation of CIAC-MR 1-48	(21,936)	(20,877)
2 Net used and useful adjustment	(345,024)	(303,396)
Total	<u>(366,960)</u>	<u>(324,273)</u>
<u>AMORTIZATION, CIAC TAX GROSS UP</u>		
To remove year end adjustment	<u>5,469</u>	<u>1,309</u>
<u>TAXES OTHER THAN INCOME</u>		
1 Remove RAF's on revenue adjustment	(70,708)	(72,884)
2 Non-used and useful property taxes 1-108	(95,390)	(50,482)
Total	<u>(166,097)</u>	<u>(123,366)</u>
<u>INCOME TAXES</u>		
To adjust to test year income tax expense	<u>(216,037)</u>	<u>(220,900)</u>
<u>OPERATING REVENUES</u>		
Adjustment to reflect revenue requirement	\$ <u>(27,203)</u>	\$ <u>(100,693)</u>
<u>TAXES OTHER THAN INCOME TAXES</u>		
Regulatory assessment taxes on additional revenues	\$ <u>(1,224)</u>	\$ <u>(4,531)</u>
<u>INCOME TAXES</u>		
Income taxes related to revenue requirement	\$ <u>(9,776)</u>	\$ <u>(36,186)</u>

PALM COAST UTILITY CORPORATION
FLAGLER COUNTY
 Docket No. 951056-WS
 Test Year Ended: December 31, 1995

Schedule No. 4-A

**WATER
 RATE SCHEDULE**

Monthly Service Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Per Order 96-1338	Commission Approved Final
<u>Residential, General Service, and Multi-Family</u>					
Base Facility Charge:					
Meter Size:					
5/8" x 3/4"	\$10.55	\$11.49	\$15.36	\$12.53	\$12.57
1"	\$26.34	\$28.71	\$38.39	\$31.32	\$31.44
1-1/2"	\$52.69	\$57.42	\$76.79	\$62.63	\$62.87
2"	\$84.29	\$91.87	\$122.86	\$100.21	\$100.60
3"	\$168.58	\$183.73	\$245.71	\$200.42	\$201.20
4"	\$263.41	\$287.09	\$383.93	\$313.15	\$314.37
6"	\$526.81	\$574.16	\$767.84	\$626.31	\$628.74
Gallonge Charge, per 1,000 Gallons	\$3.60	\$3.92	\$4.52	\$2.87	\$3.48
<u>Bulk Service</u>					
6" - Hammock Dunes - BFC	\$195.79	\$213.39	\$285.64	\$184.59	\$194.79
Gallonge Charge, per 1,000 Gallons	\$1.01	\$1.10	\$1.26	\$0.95	\$1.00
<u>Irrigation Service - All Classes</u>					
Base Facility Charge:					
Meter Size:					
5/8" x 3/4"	\$5.27	\$5.75	\$7.68	\$6.26	\$6.29
1"	\$26.34	\$28.71	\$38.39	\$31.32	\$31.44
1-1/2"	\$52.69	\$57.42	\$76.79	\$62.63	\$62.87
2"	\$84.29	\$91.87	\$122.86	\$100.21	\$100.60
3"	\$168.58	\$183.73	\$245.71	\$200.42	\$201.20
4"	\$263.41	\$287.09	\$383.93	\$313.15	\$314.37
6"	\$526.81	\$574.16	\$767.84	\$626.31	\$628.74
Gallonge Charge, per 1,000 Gallons	\$3.60	\$3.92	\$4.52	\$2.87	\$3.48
<u>Private Fire Protection</u>					
<u>Line Size</u>					
4"	\$87.89	\$95.68	\$31.97	\$26.10	\$26.20
6"	\$175.60	\$191.38	\$63.87	\$52.19	\$52.40
8"	\$280.95	\$306.20	\$102.18	\$83.51	\$83.83
10"	\$403.83	\$440.13	\$146.88	\$120.04	\$120.51
12"	\$754.94	\$822.80	\$274.58	\$224.43	\$225.30
<u>Public Fire Hydrants</u>					
Per Hydrant - Per Year	\$100.00	\$100.00	\$0.00	\$0.00	\$0.00
<u>Typical Residential Bills</u>					
<u>5/8" x 3/4" meter</u>					
3,000 Gallons	\$21.35	\$23.25	\$28.92	\$21.14	\$23.00
5,000 Gallons	\$28.55	\$31.09	\$37.96	\$26.89	\$29.95
10,000 Gallons	\$46.55	\$50.69	\$60.56	\$41.26	\$47.33

PALM COAST UTILITY CORPORATION
FLAGLER COUNTY
 Docket No. 951056-WS
 Test Year Ended: December 31, 1995

Schedule No. 4-B

RATE SCHEDULE

WASTEWATER

Monthly Service Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Per Order 96-1338	Commission Approved Final
<u>Residential Service</u>					
Base Facility Charge: All meter sizes	\$11.10	\$12.75	\$13.46	\$10.42	\$10.55
Gallonge Charge Per 1,000 gallons (8,000 gallon cap)	\$3.61	\$3.36	\$4.66	\$2.81	\$2.92
<u>General Service</u>					
Base Facility Charge: Meter Size:					
5/8" x 3/4"	\$11.10	\$12.75	\$13.46	\$10.42	\$10.55
1"	\$27.72	\$31.85	\$33.65	\$26.06	\$26.38
1-1/2"	\$55.44	\$63.68	\$67.31	\$55.46	\$52.76
2"	\$88.69	\$101.88	\$107.69	\$88.73	\$84.42
3"	\$177.39	\$203.77	\$215.38	\$177.46	\$168.84
4"	\$277.18	\$318.40	\$336.53	\$277.29	\$263.82
6"	\$554.35	\$636.79	\$673.05	\$554.58	\$527.64
8"					
Gallonge Charge, per 1,000 Gallons	\$3.52	\$4.04	\$5.60	\$3.55	\$3.51
<u>Reuse</u>					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Per Order 96-1338	Per Order 96-1338
Per 1,000 gallons	\$0.00	\$0.00	\$0.67	\$0.07	\$0.07
<u>Typical Residential Bill</u>					
<u>5/8" x 3/4" meter</u>					
3,000 Gallons	\$21.93	\$22.83	\$27.44	\$18.87	\$19.32
5,000 Gallons	\$29.15	\$29.55	\$36.76	\$24.49	\$25.16
10,000 Gallons (Sewer Cap - 8,000 Gallons)	\$32.76	\$32.91	\$41.42	\$27.31	\$28.08

PALM COAST UTILITY CORPORATION
FLAGLER COUNTY
 Docket No. 951056-WS
 Test Year Ended: December 31, 1995

Schedule 5-A

WATER
RATE SCHEDULE

Schedule of Rate Decrease After Expiration of
 Amortization Period for Rate Case Expense

	Commission Approved Final	Rate Decrease
<u>Residential, General Service, and Multi-Family</u>		
Base Facility Charge:		
Meter Size:		
5/8" x 3/4"	\$12.57	\$0.12
1"	\$31.44	\$0.30
1-1/2"	\$62.87	\$0.60
2"	\$100.60	\$0.97
3"	\$201.20	\$1.93
4"	\$314.37	\$3.02
6"	\$628.74	\$6.04
 Gallonage Charge, per 1,000 Gallons	 \$3.48	 \$0.03
<u>Bulk Service</u>		
6" - Hammock Dunes - BFC	\$194.79	\$1.87
Gallonage Charge, per 1,000 Gallons	\$1.00	\$0.01
<u>Irrigation Service - All Classes</u>		
Base Facility Charge:		
Meter Size:		
5/8" x 3/4"	\$6.29	\$0.06
1"	\$31.44	\$0.30
1-1/2"	\$62.87	\$0.60
2"	\$100.60	\$0.97
3"	\$201.20	\$1.93
4"	\$314.37	\$3.02
6"	\$628.74	\$6.04
 Gallonage Charge, per 1,000 Gallons	 \$3.48	 \$0.03
<u>Private Fire Protection</u>		
<u>Line Size</u>		
4"	\$26.20	\$0.25
6"	\$52.40	\$0.50
8"	\$83.83	\$0.80
10"	\$120.51	\$1.16
12"	\$225.30	\$2.16
 <u>Public Fire Hydrants</u>		
Per Hydrant - Per Year	\$0.00	\$0.00

**PALM COAST UTILITY CORPORATION
 FLAGLER COUNTY
 Docket No. 951056-WS
 Test Year Ended: December 31, 1995**

Schedule 5-B

RATE SCHEDULE

**Schedule of Rate Decrease After Expiration of
 Amortization Period for Rate Case Expense**

Wastewater

Monthly Rates

	Commission Approved Final	Rate Decrease
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Residential Service

Base Facility Charge: All meter sizes	\$10.55	\$0.17
Gallorage Charge Per 1,000 gallons (8,000 gallon cap)	\$2.92	\$0.05

General Service

Base Facility Charge: Meter Size:		
5/8" x 3/4"	\$10.55	\$0.17
1"	\$26.38	\$0.44
1-1/2"	\$52.76	\$0.87
2"	\$84.42	\$1.39
3"	\$168.84	\$2.79
4"	\$263.82	\$4.35
6"	\$527.64	\$8.70
8"		
Gallorage Charge, per 1,000 Gallons	\$3.51	\$0.06