

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by PALM COAST) Docket No. 951056-WS
UTILITY CORPORATION for rate)
increase in Flagler County) Filed: December 27, 1995

**APPLICATION FOR INCREASED INTERIM AND PERMANENT
WATER AND WASTEWATER RATES AND CHARGES**

Palm Coast Utility Corporation (the Applicant), by and through its undersigned attorneys, hereby submits its application for increased water and wastewater rates and charges and in support states the following:

1. The name of the Applicant as it appears on its certificates is Palm Coast Utility Corporation. The address of the Applicant's principal place of business is 2 Utility Drive, Palm Coast, Florida 32137.

2. The person authorized to receive notices, orders, pleadings and other documents and communications with respect to this application is:

B. Kenneth Gatlin
Gatlin, Woods & Carlson
1709-D Mahan Drive
Tallahassee, FL 32308
Phone: (904) 877-7191

Attorneys for Palm Coast Utility
Corporation

3. The Applicant is a corporation incorporated in the State of Florida on February 11, 1970. The Applicant is a wholly-owned subsidiary of ITT Corporation (ITT). ITT's address is 1330 Avenue of the Americas, New York, New York 10019.

4. The Applicant is a utility providing water and wastewater service to the public in Flagler County, Florida, under the

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FPSC REPORTING

jurisdiction of the Florida Public Service Commission (the Commission).

5. The applicant's rates and charges have been previously considered by the following Commission orders. Order No. 9598 (10/17/80); Order No. 9642 (11/18/80); Order No. 9731 (12/30/80); Order No. 10463 (12/18/81); Order No. 10629 (2/26/82); Order No. 10979 (7/7/82); Order No. 10989 (7/12/82); Order No. 12174 (6/27/83); Order No. 12957 (2/6/84); Order No. 13524 (7/18/84); Order No. 13599 (8/17/84); Order No. 14174 (3/14/85); Order No. 14174-A (3/15/85); Order No. 14502 (6/25/85); Order No. 17814 (7/7/87); Order No. 18625 (1/4/88); Order No. 19130 (4/12/88); Order No. 19920 (9/2/88); Order No. 21570 (7/18/89); Order No. 22843 (4/23/90) and Order No. 23471 (9/12/90). In addition to the foregoing, the utility's rates have been periodically adjusted through the following pass-through and index adjustments: WS File No. 92-0123 (7/17/92); WS File No. 93-0162 (9/16/93); and WS File No. 95-0189 (10/24/95).

6. During the time it is pending, the application will be available for customer inspection at the Applicant's principal place of business, at 2 Utility Drive, Palm Coast, Florida 32137.

7. An affidavit of James A. Perry, the Applicant's Vice President of Finance, stating that the Applicant will comply with Rule 25-22.0407, Florida Administrative Code, is attached hereto as Appendix "A".

8. This application is filed pursuant to Chapter 367, Florida Statutes, and, in particular, Sections 367.081, (1994, as

amended by Ch. 95-148, § 978, Laws of Florida), and 367.082 (1993).

9. The Applicant does not request that this application be processed pursuant to the Proposed Agency Action procedure outlined in Section 367.081(8), Florida Statutes.

10. The detail showing the necessity of the proposed increases in rates and charges and the proposed rates and charges are set forth in the accompanying MFRs, Volume I, Test Year Ending 12/31/95, and the supporting testimony of Frank Seidman and John Guastella.

11. The necessity for a rate increase arises from the fact that as adjusted for the test year ending December 31, 1995, the Applicant will have a rate of return of only 2.64% on a rate base of \$21,328,433 for its water operations and a rate of return of only 3.54% on a rate base of \$16,031,209 for its wastewater operations. In order for the Applicant to have an opportunity to earn a fair and reasonable rate of return of 8.84%, the Applicant will need to increase its annual revenues in the amount of \$1,479,626 for its water operations, and in the amount of \$1,575,817 for its wastewater operations, based on the adjusted test year.

12. Substantial and extraordinary plant additions were completed during 1995. Most of them were not completed until at least the middle of the year. Almost \$7 million in additions were made during 1995, yet there is a \$4.5 million difference between the average and year end balances of total water and wastewater plant in service. Unless a year end rate base is utilized, the

opportunity to earn a return on the portion of \$4.5 million used to serve the public will be lost.

13. Pending the establishment of permanent rates in this proceeding, the Applicant requests interim water and wastewater rates as set forth in section G of the MFRs. These interim rates are based on an historical base test year ended December 31, 1994. The interim rates requested will produce additional revenues of \$457,694 for water operations and \$442,999 for wastewater operations. The requested interim relief is necessary because the Applicant is earning outside the range of reasonableness on rate of return calculated in accordance with Section 367.082(5), Florida Statutes.

14. 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.

15. 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.

16. 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.

17. 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.

WHEREFORE, the Applicant requests that the Commission:

1. take jurisdiction over this application;
2. allow the Applicant to place into effect on an interim basis rates that will produce additional revenues of \$457,694 for water operations and \$442,999 for wastewater operations;
3. find that Applicant's water rate base is \$21,328,433 and its wastewater rate base is \$16,031,209 for the test year ending December 31, 1995.
4. find that a fair and reasonable rate of return on the Applicant's combined water and wastewater rate base is 8.84%, based on a return on equity of 11.10%, for the test year ended December 31, 1995;
5. allow the Applicant to place into effect on a permanent basis final rates that will produce additional revenues of \$1,479,626 for water operations and \$1,575,817 for wastewater operations;
6. approve the requested AFUDC rate;

7. approve the requested effluent reuse charge;
8. approve the elimination of the Public Hydrant Charge;
9. approve the reduction in the private fire protection service charge; and
10. grant any other relief that is appropriate.

Dated this 27th day of December, 1995.

Respectfully submitted,



B. KENNETH GATLIN
Gatlin, Woods & Carlson
1709-D Mahan Drive
Tallahassee, Florida 32308
(904) 877-7191
Fla. Bar No. 0027966

Attorneys for Palm Coast Utility Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Application for Increased Water and Wastewater Rates and Charges has been furnished by U.S. Mail on this 27th day of December, 1995, to:

Mr. Jim Darby, Chairman
Flagler County Commission
1200 E. Moody Blvd., #1
Bunnell, FL 32110

Mr. Christopher Chinault
County Administrator
1200 E. Moody Blvd., #1
Bunnell, FL 32110

By this notice each of the above named persons are hereby informed that a copy of the Minimum Filing Requirements (MFRs) when accepted by the Commission can be obtained from Applicant upon request.



B. KENNETH GATLIN

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by PALM COAST)
UTILITY CORPORATION for rate)
increase in Flagler County)

Docket No. 951056-WS

A F F I D A V I T

STATE OF: FLORIDA

COUNTY OF: FLAGLER

BEFORE ME, personally appeared James A. Perry, who, after being duly sworn on oath, deposes and says that pursuant to the requirements of Rule 25-30.436(1)f, F.A.C., Palm Coast Utility Corporation will comply with Rule 25-22.0407, F.A.C.

FURTHER AFFIANT SAYETH NOT.



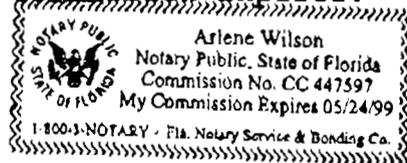
JAMES A. PERRY
Vice President of Finance
Palm Coast Utility Corporation

SWORN TO and SUBSCRIBED BEFORE me on this 27th day of December
 , 1995. (PERSONALLY KNOWN TO ME)



NOTARY PUBLIC
State of Florida at Large

My Commission Expires:



APPENDIX "A"

GATLIN, WOODS & CARLSON
Attorneys at Law
 a partnership including a professional association

The Mahan Station
 1709-D Mahan Drive
 Tallahassee, Florida 32308

B. KENNETH GATLIN, P.A.
 THOMAS F. WOODS
 JOHN D. CARLSON
 WAYNE L. SCHIEFELBEIN

TELEPHONE (904) 877-7191
 TELECOPIER (904) 877-9031

December 27, 1995

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. 95¹⁰⁵1258-WS
 Application by PALM COAST UTILITY CORPORATION
 for a rate increase in Flagler County, Florida



2 Utility Drive • Palm Coast, Florida 32137

CHECK NO. 42324
 U.S. \$ 630
 BRANCH 178

DATE 12/20/95 *****9,000.00

VOID AFTER 180 DAYS

PAY NINE THOUSAND AND 00/100 DOLLARS

TO THE ORDER OF FLORIDA PUBLIC SERVICE
 COMMISSION
 2540 SHUMAND OAK BLVD
 TALLAHASSEE FL 32399

FIRST UNION
 300 PALM COAST PARKWAY
 PALM COAST, FL 32137

⑈04 23 24⑈

FLO240 A DATE 12/20/95 CHECK NO. 42324

DATE	INVOICE NUMBER	PURCHASE ORDER OR CONTRACT NO.	DESCRIPTION	GROSS AMOUNT	DISCOUNT OR RETENTION	NET AMOUNT
12/15/95	FILING FEE	RR010030		9,000.00		9,000.00

RECEIVE
 FLORIDA PUBLIC SERVICE COMMISSION
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 MAIL ROOM

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2540 Shumard Oak Blvd.
Tallahassee, FL 32399-1850

RE: ~~951258-WS~~
Application by PALM COAST UTILITY CORPORATION
for a rate increase in Flagler County, Florida

Dear Ms. Bayo:

Enclosed for filing are an original and fifteen copies, unless otherwise noted, of the following documents:

- 13057-95 1. Application for Increased Interim and Permanent Water and Wastewater Rates and Charges;
- 2. Filing fee in the amount of \$9,000.00 (check no. 42324) for the above application;
- 13058-95 3. Minimum Filing Requirements (MFRs) - Volume I, Financial, Rate & Engineering Schedules, Including Interim Rate Schedules (sixteen copies);
- 13059-95 4. Volume II - Billing Analysis Schedule E-14, Minimum Filing Requirements (two copies only);
- 13060-95 5. Volume III - Additional Engineering Information, Developer Offering Statement, Costs Charged or Allocated by Parent & Affiliate, and Deed for Land Recorded Since Last Case (two copies of Volume III; one additional copy of the Costs Charged or Allocated by Parent & Affiliate, which is the first section of Volume III; and, one set of maps only);

sent to WAW

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[Signature]

Letter to Blanca S. Bayo, Director
December 27, 1995
Page Two

- 13061-95 6. Effluent Reuse Rate Analysis (sixteen copies);
- 13062-95 7. Original Tariff Sheet No. 19.1 (original and five copies). These tariff sheets are for a new class of service;
- 13063-95 8. Used and Useful Analysis Utility Plant in Service (sixteen copies);
- 13064-95 9. Analysis of Operating Departments for Used and Useful (sixteen copies);
- 13065-95 10. Direct Testimony of John F. Guastella; and
- 13066-95 11. Direct Testimony of Frank Seidman;

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

GATLIN, WOODS & CARLSON
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a partnership including a professional association

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1709-D Mahan Drive
Tallahassee, Florida 32308

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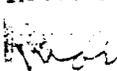
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