

ORIGINAL
FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of PALM COAST)
UTILITY CORPORATION for Increased)
Rates in Flagler County, Florida)
_____ /

Docket No. 951056-WS
Filed: June 14, 1996

PETITION OF FLAGLER COUNTY FOR LEAVE TO INTERVENE

Flagler County, a political subdivision of the State of Florida hereby petitions for intervention and, as grounds thereof, states as follows:

1. Flagler County is a customer of Palm Coast Utility Corporation (hereafter "PCUC").
2. PCUC is asking for residential rate increases ranging to 32%.
3. These are significant increases for a small county, population 38,000, where many of the households in the certificated area are retirees on fixed incomes or working families with very low to moderate incomes.
4. Additionally, the size of the increases can have a negative effect on economic growth within the County.
5. PCUC is part of the ITT Corporate family. A number of the

ACK operating expense items and assets within the rate base of PCUC are
 AFA intercompany transfer related, and not the result of marketplace third
 APP party transactions. These aspects require scrutiny to assure proper
 CAF calculation of the factors yielding appropriate rates.

CMH _____
 CTR _____ 6. The ITT corporate family also has negotiated a significant
 EAG sale of their assets within Flagler County to the Minnesota Power &
 LEG Edmunds Light corporate family. These transactions also merit attention to
 IN 3

PC _____

CH _____

SEC 1

VAS _____

WTL max to Don

DOCUMENT NUMBER-DATE

06469 JUN 14 8

FPSC-RECORDS/REPORTING

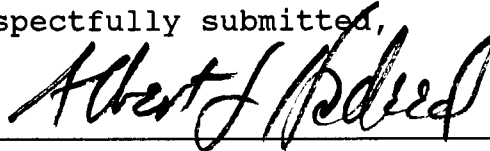
assure that sale of utility and non-utility assets do not improperly skew appropriate calculation of rates.

7. Because of the impact of these rates on Flagler County's citizens and businesses served by PCUC, Flagler County wishes to intervene. The County's substantial interests as a customer and in its parens patriae role will be affected by the Commission's decision.

8. Flagler County will take the case as it now stands.

WHEREFORE, Petitioner Flagler County requests the Commission issue an order granting the County intervention as a full party in this docket.

Respectfully submitted,



Albert J. Hadeed
County Attorney
FL Bar #0180906
1200 E. Moody Blvd. #11
Bunnell, FL 32110
904-437-7483
904-437-7399 (fax)
Attorney for the Intervenor, Flagler
County

CERTIFICATE OF SERVICE

I certify that a correct copy of the foregoing has been furnished by U. S. Mail to the parties listed below on this 14th day of June, 1996, except for hand delivery to Mr. Scott Edmonds.

B. Kenneth Gatlin, Esq.
Gatlin, Woods & Carlson
The Mahan Station
1709-D Mahan Drive

Scott Edmond, Esq.
Division of Legal Services
Fla. Public Service Commission
2540 Shumard Oak Blvd.

Tallahassee, FL 32308

Jim Martin
P. O. Box 351541
Palm Coast, FL 32135

Manuel D. Rivera
6 Bowman Place
Palm Coast, FL 32137

Richard D. Melson, Esq.
Hopping Green Sams & Smith
P. O. Box 6526
Tallahassee, FL 32314

Tallahassee, FL 32399-0850

Stephen C. Reilly, Esq.
Associate Public Counsel
Office of Public Counsel
The Florida Legislature
111 West Madison St., Rm. 812
Tallahassee, FL 32399-1400



Albert J. Hadeed
Attorney for the County

ORIGINAL
FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of PALM COAST)
UTILITY CORPORATION for Increased)
Rates in Flagler County, Florida)
_____ /

Docket No. 951056-WS,
Filed: June 14, 1996

INTERVENOR COUNTY'S MEMORANDUM IN SUPPORT OF CITIZENS'
MOTION TO COMPEL PRODUCTION OF OPTION AGREEMENTS

Intervenor Flagler County supports the Citizens' request for the text of the option agreement(s) between Palm Coast Utility Corporation and its ITT parent, affiliate and subsidiary corporations on the one hand and Minnesota Power & Light and its subsidiaries on the other.

It is obvious that the requested rate increase is connected to the impending acquisition of Palm Coast Utility Corporation by the Minnesota Power & Light corporate family. Further, the utility acquisition is part of a larger transaction involving PCUC's parent company and its affiliates and subsidiaries for non-utility assets such as vacant land and accounts receivables from real estate transactions. It is logical to assume that the purchase price of the utility is based in part on the consideration paid for other assets and is necessarily

based on the outcome of these rate proceedings. The situation suggests that the option agreements are, indeed, materially relevant to the rate increase petition.

It should be imperative for the Public Service Commission to examine these documents to assure that there are no transaction related effects skewing the rate increase request or the rate base calculation.

ACK
WFA
WPP
WAF
WMI
WTR
WAG
WEG
WIN
WPC
WRH
WSEC
WAS
WTL

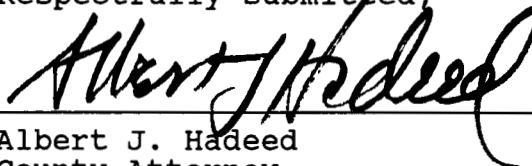
This inquiry becomes even more significant given the size of the requested rate increase and its impact on the disposable incomes of a sizable community of fixed income retirees, low to moderate income working families, and small businesses.

Even when the requested production is examined technically, the relevancy of the option agreement seems apparent. Any accurate analysis of a utility's need for a rate increase presumably requires a thorough knowledge of existing rate base and expenses and known changes to them. Test year data is normally adjusted for known changes. Further, since retroactive ratemaking is illegal, retroactivity effects must be avoided.

In this case, there may be effects on the test year due to action taken by PCUC in response to the requirements of the option agreement and the other transactions between PCUC's parent and affiliates and Minnesota Power and Light and its subsidiaries and affiliates. Thus, a thorough understanding of the various agreements would seem to be necessary to guard against possible test year effects of PCUC's actions under any or all of the agreements.

Accordingly, the Public Service Commission should order production.

Respectfully submitted,



Albert J. Hadeed
County Attorney
FL Bar #0180906
1200 E. Moody Blvd. #11
Bunnell, FL 32110
904-437-7483
904-437-7399 (fax)
Attorney for the Intervenor, Flagler
County

CERTIFICATE OF SERVICE

I certify that a correct copy of the foregoing has been furnished by U. S. Mail to the parties listed below on this 14th day of June, 1996, except for hand delivery to Mr. Scott Edmonds.

B. Kenneth Gatlin, Esq.
Gatlin, Woods & Carlson
The Mahan Station
1709-D Mahan Drive
Tallahassee, FL 32308

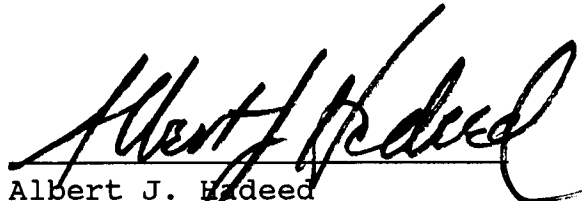
Jim Martin
P. O. Box 351541
Palm Coast, FL 32135

Manuel D. Rivera
6 Bowman Place
Palm Coast, FL 32137

Richard D. Melson, Esq.
Hopping Green Sams & Smith
P. O. Box 6526
Tallahassee, FL 32314

Scott Edmond, Esq.
Division of Legal Services
Fla. Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Stephen C. Reilly, Esq.
Associate Public Counsel
Office of Public Counsel
The Florida Legislature
111 West Madison St., Rm. 812
Tallahassee, FL 32399-1400


Albert J. Hadeed
Attorney for the County