

State of Florida

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DIVISION OF WATER
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Public Service Commission

August 12, 1996

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

Re: Docket No. 960329-WS, Application of Gulf Utility Company for Increased Water and Wastewater Rates and for Approval of Service Availability Charges in Lee County, Florida.

Dear Mr. Gatlin:

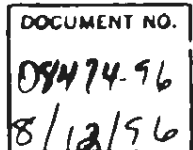
We have reviewed the utility's responses dated July 26 and August 8, 1996 to deficiencies in Gulf's minimum filing requirements. We still find the following to be deficient:

1. The budget assumptions for Notes 4 and 12 of Schedule B-3 are insufficient in that a more substantive description should be provided.
2. Additionally, Notes 8 and 9 should contain a more substantive description of how the utility arrived at those itemized/budgeted numbers.

In addition to the above, there are several other areas in the MFRs that are deficient. These areas primarily involve the basis of projection employed by the utility, which was not included in the MFRs, in arriving at the projected test year numbers. The areas of deficiency are as follows:

3. Rule 25-30.437(3), Florida Administrative Code, requires that, if a projected test year is used, a schedule should be provided which describes in detail all methods and basis of projection, explaining the justification for each method or basis employed. For the following accounts, the supporting projection methodologies were not provided:

- (a) All Current Asset accounts
- (b) All Deferred Debit accounts
- (c) Common Equity
- (d) Bonds



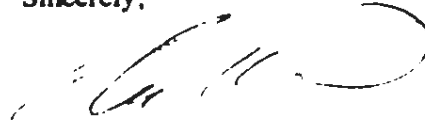
- (e) All Current and Accrued Liability accounts
- (f) CIAC
- (g) Prepaid CIAC

4. Referring to Schedule E-13, pages 1-4 in the MFRs, provide supporting schedules or documentation which explains how the consumption projection factor was calculated for each class of service.

5. Referring to the same Schedule E-13, pages 1-4 in the MFRs, provide the projection factor used to calculate projected test year bills along with supporting schedules or documentation as to how this projection factor was calculated. Explain any difference in growth percentage as this projection factor compares with actual growth (in ERC's) as represented on Schedules F-9 and F-10 in the MFRs.

Your petition will be deemed filed upon satisfactory completion of the minimum filing requirements. The corrections should be submitted no later than August 28, 1996.

Sincerely,



Charles H. Hill
Director

CHH/MWW

cc: Division of Records and Reporting
Division of Legal Services (O'Sullivan)
Division of Water and Wastewater (Willis, Merchant, Crouch, Rendell)