

GATLIN, SCHIEFELBEIN & COWDERY, P.A.

Attorneys at Law

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

B. KENNETH GATLIN
WAYNE L. SCHIEFELBEIN
KATHRYN G.W. COWDERY

OF COUNSEL
THOMAS F. WOODS

TELEPHONE (850) 877-5609
TELECOPIER (850) 877-9031
E-MAIL: bkgatlin@nettally.com

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September 2, 1997

HAND DELIVERY

Mr. Ralph Jaeger, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

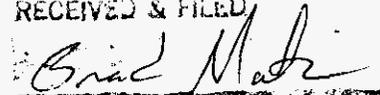
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SEP 02 1997

FPSC - Records/Reporting

RE: Docket No. 970991-SU
Investigation into rates and charges of Florida
Cities Water Company - Lee County Division (South
Ft. Myers System) for potential overearnings

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FPSC-BUREAU OF RECORDS

Dear Mr. Jaeger:

To follow-up on our earlier telephone conversations, attached are

1) Schedules 3-A and 3-B (pp. 12-13) of the August 28, 1997 staff recommendation, annotated with comments regarding Staff's double-counting of Lee County revenues and other matters.

ACK _____

2) Schedule S-10 (p. 33) of the 1996 Annual Report, with an added comment regarding the composition of the "other" wastewater revenues.

AFA _____

APP _____

CAF _____

Please discuss at your earliest convenience.

CMU _____

CTR _____

Sincerely,

EAG _____



LEG _____

Wayne L. Schiefelbein

LIN _____

GPC _____ WLS/met

cc: Division of Records and Reporting

ROI _____

SCD _____

WAS _____

OTH _____

DOCUMENT NUMBER-DATE

08833 SEP-25

FPSC-RECORDS/REPORTING

03/20/97

SRSLEE96.WK4

**FLORIDA CITIES WATER COMPANY
SOUTH FT MYERS - WASTEWATER
WASTEWATER OPERATING REVENUE
Year of Report - December 31, 1996**

Acct. No. (a)	Description (b)	Beginning Year Number Customers (c)	Year End Number Customers (d)	Amounts (e)
Operating Revenues:				
Flat Rate Revenues:				
521.1	Residential Revenues	0	0	\$0
521.2	Commercial Revenues	0	0	0
521.3	Industrial Revenues	0	0	0
521.4	Revenues from Public Authorities	0	0	0
521.5	Multiple Family Dwelling Revenues	0	0	0
521.6	Other Revenues	0	0	0
	Total Flat Rate Revenues	0	0	\$0
Measured Revenues:				
522.1	Residential Revenues	4,726	4,941	\$1,418,262
522.2	Commercial Revenues	467	487	673,593
522.3	Industrial Revenues			0
522.4	Revenues from Public Authorities	6	5	69,030
522.5	Multiple Family Dwelling Revenues	363	409	1,024,930
	Total Measured Revenues:	5,562	5,843	\$3,185,815
523	Revenues from Public Authorities	0	0	\$0
524	Revenues from Other Systems	0	0	0
525	Interdepartmental Revenues	0	0	0
	Totals	5,562	5,843	\$3,185,815
Other Wastewater Revenues:				
530	Guaranteed Revenue			\$74,921
531	Sale of Sludge			0
532	Forfeited Discounts			0
534	Rents from Sewer Property			0
535	Interdepartmental Rents			0
536	Other Wastewater Reven - Miscellaneous Service Revenues			296,517 *
	Total Other Wastewater Revenue			\$371,438
	TOTAL WASTEWATER OPERATING REVENUES			\$3,557,253

* This amount includes Lee County Service Revenues of \$253,524. The remaining amount is the Company's regular Misc Service Revenue. Refer to the 1995 Annual Report for a comparison.

PCWC - SOUTH FT. MYERS WASTEWATER STATEMENT OF WASTEWATER OPERATIONS TEST YEAR ENDED 12/31/96		SCHEDULE NO. J-A DOCKET NO. 97091-SU					
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR 12/31/96	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR 12/31/96	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	3,857,283	0	3,857,283 a.	369,133 b.	3,846,366 c.	(434,142) d.	3,513,246 d.
OPERATING EXPENSES						-11.00% d.	
2 OPERATION AND MAINTENANCE	1,617,210	0	1,617,210	(27,250)	1,589,960		1,589,960
3 DEPRECIATION	613,936	0	613,936	0	613,936		613,936
4 AMORTIZATION	0	0	0	0	0		0
5 TAXES OTHER THAN INCOME	319,164	0	319,164	67,911	336,076	(19,456)	317,140
6 INCOME TAXES	286,501	0	286,502	167,338	343,834	(156,016)	237,822
7 TOTAL OPERATING EXPENSES	2,776,814	0	2,776,814	167,617	2,654,433	(176,653)	2,766,861
8 OPERATING INCOME	780,439	0	780,436	231,518	1,011,958	(268,600)	733,366
9 RATE BASE	7,838,270		7,838,270		7,883,672		7,883,672
RATE OF RETURN	9.93%		9.93%		12.84%		9.26%

- a. This amount already includes Lee County Service Revenue of \$253,524. See attached 1996 PSC Annual Report page 33 (Schedule S-10) and clarification note. This amount of Lee County revenue covers the period from July through December 1996.
- b. Therefore, this amount is over-stated by \$253,524. The corrected amount should be \$135,611.
- c. The corrected amount should be \$3,692,864.
- d. These should also be adjusted accordingly.

FCWC - SOUTH FT. MYERS WASTEWATER ADJUSTMENTS TO OPERATING STATEMENT TEST YEAR ENDED 12/31/76		SCHEDULE NO. 3-B DOCKET NO. 57091-JU PAGE 1 OF 1	
EXPLANATION			WASTEWATER
1 OPERATING REVENUES			
To adjust for revenues on treatment of Lee County WW		\$	371,367
To adjust for prorated 6/14/96 Index		\$	17,548
Estimate of potential overearnings in 1988			(434,142)
2 OPERATION & MAINTENANCE EXPENSES			
To adjust for Commission approved rate class exp. in Docket No. 52084-SU		\$	(27,250)
3 TAXES OTHER THAN INCOME			
Regulatory assessment fees on revenue adjustment		\$	17,511
Regulatory assessment fees associated with overearnings			(18,536)
4 INCOME TAXES			
Income taxes related to recommended revenue decrease		\$	(158,010)
Income taxes associated with adjusted test year income			167,336

a. This rate decrease has already been filed and new tariffs are currently being approved.