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OF COUNSEL
THOMAS F. WOODS

September 5, 1997

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

Re: Docket No. 970991-SU
Investigation into Rates and Charges of Florida Cities Water
Company - Lee County - South Ft. Myers Wastewater System - for
Potential Overearnings.

Dear Ms. Bayo:

Enclosed for filing on behalf of Florida Cities Water Company
in the above docket are an original and 16 copies of a letter from
Michael E. Murphy, Vice President and Chief Financial Officer.

Please acknowledge receipt of the foregoing by stamping the
enclosed extra copy of this letter and returning same to my
attention. Thank you for your assistance.

Sincerely,

Wayne L. Schiefelbein

cc w/enclosure: Ralph Jaeger, Esq.
Division of Legal Services

WLS/pav
Enclosures

- ACK _____
- AFA _____
- APP _____
- CAF _____
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FPSC-RECORDS/REPORTING

DOCUMENT NUMBER-DATE
08967 SEP-5 1997
FPSC-RECORDS/REPORTING

**FLORIDA CITIES
WATER COMPANY****ORIGINAL
FILE COPY**

September 5, 1997

Mr. Wayne Schiefelbein
Gatlin, Schiefelbein, and Cowdery
The Mahan Station
1709-D Mahan Drive
Tallahassee, FL 32308

RE: Florida Cities Water Company
South Ft. Myers - Wastewater
Over Earnings Investigation
Docket No. 970991-SU

Dear Wayne:

Concerning South Ft. Myers Wastewater, would you kindly advise the Staff of the following factual items:

1. Lee County revenues collected for the calendar year 1996 and included in miscellaneous service revenues was \$253,524.
2. Lee County revenues collected for the six months ended June 30, 1997 were \$118,043.
3. Lee County revenues collected for the twelve months ended June 30, 1997 were \$371,567, as reported previously and as required by Order 97-0019-FOF-WS.


Also please advise the Staff that annualizing the amount collected in 1996, \$507,048 (\$253,524 X 2) is wholly inappropriate because the months of July through December are abnormally high because of additional flows caused by the rainy season in addition to Lee County sending us additional flows to equalize their ponds. This can be seen when compared to actual results for the twelve month period ended June 30 which were \$371,337.

We believe that to properly 'adjust' the test year December 31, 1996, actual twelve months revenues is more appropriate than estimating twelve months of revenue based upon six months of revenue from a period that is not representative. Actual amounts for the twelve months ended June 30, 1997 were initially used in the Staff recommendation of August 28, 1997 on page 13. We do not understand why the Staff would want to change it's own calculation from one that is factually correct to one that is factually incorrect. We do not believe the Staff would be going 'outside' the test year to use actual twelve months results.

Attached is a schedule showing Lee County revenues collected by month.

I hope this information assists you in resolving this matter and helps the Staff in its adjustment of the test year.

Sincerely,


Michael E. Murphy, VP/CFO

FLORIDA CITIES WATER COMPANY
4837 Swift Road, Suite 100
Sarasota, Florida 34231
Telephone 941/925-3088
A Unit of Avatar Utilities Inc.

DOCUMENT NUMBER-DATE

08967 SEP-56

FPSC-RECORDS/REPORTING

**Florida Cities Water Company
Lee County Utilities Treatment Revenue
July 1996 - August 1997**

		Revenue \$	Flows (MG)	12 Mos. Ending Revenue
July	1996	14,158	6,044	-----
August	1996	37,137	17,088	-----
September	1996	53,725	25,382	-----
October	1996	43,121	20,080	-----
November	1996	59,567	28,303	-----
December	1996	45,957	21,498	-----
January	1997	21,617	9,328	-----
February	1997	11,822	4,605	-----
March	1997	9,136	3,411	-----
April	1997	11,663	4,534	-----
May	1997	33,867	15,453	-----
June	1997	29,567	13,303	371,337
Total		<u><u>\$371,337</u></u>		