



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: FEBRUARY 16, 1998
TO: CHAIRMAN JOHNSON
FROM: CHARLES H. HILL, DIRECTOR, DIVISION OF WATER AND WASTEWATER
LILA JABER, DIVISION OF LEGAL SERVICES
RE: DOCKET NO. 980214-WS, APPLICATION OF UNITED WATER FLORIDA INC. FOR AN INCREASE IN WATER AND WASTEWATER RATES IN DUVAL, NASSAU AND ST. JOHNS COUNTIES - TEST YEAR APPROVAL

By letter dated February 4, 1998, United Water Florida Inc. (UWF) has requested approval to use a projected test year ended December 31, 1999. The filing will utilize a base year ended December 31, 1997 and an intermediate year ended December 31, 1998. The company has indicated that they may also be requesting an interim increase using the base year ended December 31, 1997.

UWF states the reason for filing this case is that the current rates being charged will not provide a fair rate of return on their investment. The major reason for the rate increase appears to be the large additions to plant in service from 1997 through 1999 of \$50,494,800. The majority of the plant additions will be placed into use during 1998 and 1999. The utility's last rate case was based on a historical test year of December 31, 1995 projected to December 31, 1997. The case was closed in 1997.

Staff believes, given the circumstances, that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1994 through 1996. Based on our review, we believe that the requested test year should be approved. Receipt of the application by July 20, 1998, will be acceptable.

ACK _____ The test year letter filename is I:\PSC\WAW\WP\UWF.MWW

- AFA _____ c: Dr. Mary Bane, Deputy Executive Director/Technical
APP _____ Division of Water and Wastewater (Willis, Crouch, Merchant)
CAF _____ Division of Legal Services
CMU _____ Division of Records and Reporting
CTR _____ Nanette Fisher
EAG _____
LEG _____
LIN _____
OPC _____
RCH _____
SEC _____
WAS _____
YTH _____

DOCUMENT NUMBER-DATE

02275 FEB 16 98

FPSC-RECORDS/REPORTING

STATE OF FLORIDA

JULIA L. JOHNSON
CHAIRMAN



CAPITAL CIRCLE OFFICE CENTER
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0854
(850) 413-6044

Public Service Commission

February 16, 1998

Mr. James L. Ade
Martin, Ade, Birchfield & Mickler, P.A.
P.O. Box 59
Jacksonville, Florida 32201

Re: Docket No. 980214-WS, Application of United Water Florida Inc. for Increased Water and Wastewater Rates in Duval, Nassau and St. Johns Counties - Test Year Approval

Dear Mr. Ade:

We have received your letter dated February 4, 1998, requesting approval to use a projected test year ended December 31, 1999, utilizing an intermediate test year ended December 31, 1998 and a historical base year ended December 31, 1997. The letter also indicates that you wish to use the same base year as a test year in the event that the utility decides to request interim rates. Your test year request as outlined above is hereby approved. You should also be aware that prefiled direct testimony must be filed with the minimum filing requirements if you do not elect to request the proposed agency action process.

For administrative purposes only, Docket No. 980214-WS has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of Records and Reporting receives the complete petition, revised tariff sheets, the minimum filing requirements, testimony (if not requesting PAA) and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than July 20, 1998. Because of the difficulty in scheduling hearing dates it is not anticipated that an extension of this filing date will be granted.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, information not filed with the original application may not be considered. Lastly, the utility should be prepared to justify all increased operation and maintenance expenses, particularly those in excess of customer growth and

Mr. James L. Ade
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inflation from the historic year ended December 31, 1995, which is the base year used in the utilities last rate case.

Sincerely,

Julia L. Johnson
Chairman

JLJ/MWW

cc: Commissioners
Mr. Talbott
Dr. Bane
Nanette Fisher
Division of Records and Reporting
Division of Legal Services (Jaber)
Division of Water and Wastewater (Willis)
Jack Shreve, Office of Public Counsel