

M E M O R A N D U M

August 10, 1998

TO: DIVISION OF RECORDS AND REPORTING  
FROM: DIVISION OF LEGAL SERVICES (JAEGERS)  
RE: DOCKET NO. 970991-SU - INVESTIGATION INTO RATES AND  
CHARGES OF FLORIDA CITIES WATER COMPANY - LEE COUNTY  
DIVISION (SOUTH FT. MYERS WASTEWATER SYSTEM) FOR  
POTENTIAL OVEREARNINGS.

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Please place the attached letters dated August 6 and August 7, 1998, in the docket file.

RRJ/lw

Attachment

cc: Division of Water and Wastewater (Merchant, Moniz)

DOCUMENT NUMBER-DATE

08485 AUG 10 88

FPSC-RECORDS/REPORTING

**GATLIN, SCHIEFELBEIN & COWDERY, P.A.**

**Attorneys at Law**

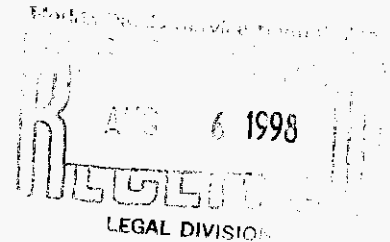
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August 6, 1998



Ralph R. Jaeger, Senior Attorney  
Division of Legal Services  
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 Division (South Fort Myers Wastewater System) for potential over earnings

Dear Mr. Jaeger:

In response to your letter to Mike Murphy dated July 6, 1998, Florida Cities Water Company (FCWC) proposes to dispose of this over earnings investigation with the following offer of settlement, based upon Mike Murphy's letters of March 23 and July 21, 1998, as follows:

- 1) Defer \$21,606 (includes accrued interest for 1996) in price index revenues for 1996.
- 2) Defer \$222,646 in excess revenues for 1997 - this includes \$105,978 (utility's calculation of 1997 over earnings held subject to refund), and \$116,678 (50% of 1997 earnings not held subject to refund).
- 3) Continue to file semi-annual earnings reports.
- 4) 1998 over earnings will be addressed in 1999. (Based on Staff's review of the semi-annual reports, additional revenues may be subject to deferral in 1998 and later years.)
- 5) Include deferred revenues in the capital structure of

Letter to Ralph Jaeger  
August 6, 1998  
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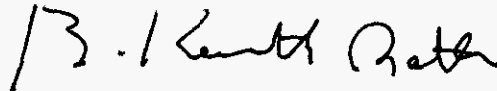
South Fort Myers wastewater system as a separate line item, with a cost rate equal to the thirty-day commercial paper rate.

- 6) Rate of return on equity for 1998 and later years will be based on the current leverage graph formula.
- 7) Any remaining balance in deferred revenues as of December 31, 2000 will be added to CIAC.

It is our understanding that the Staff agrees with this proposal.

Please place this offer of settlement before the Commission at your earliest convenience.

Very truly yours,



B. Kenneth Gatlin

BKG/lav

**GATLIN, SCHIEFELBEIN & COWDERY, P.A.**

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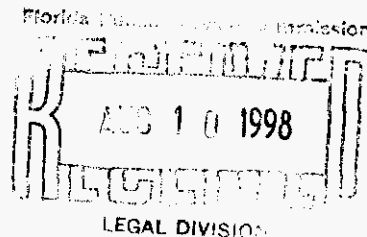
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August 7, 1998

**VIA FACSIMILE & HAND DELIVERY**

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



RE: Docket 970991-SU  
Investigation into rates and charges of Florida Cities Water  
Company - Lee County Division (South Ft. Myers Wastewater  
System) for potential overearnings.

Dear Mr. Jaeger:

We represent Florida Cities Water Company in this docket.

On behalf of Florida Cities Water Company, we hereby waive the 15-month requirement as set forth in Sub Section 367.081(4)(d). This waiver is limited to October 7, 1998. This letter of extension replaces our letter of June 26, 1998.

If you have any questions please let know.

Very truly yours,

B. Kenneth Gatlin

BKG/l dv