



Public Service Commission

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

DATE: MAY 3, 1999
TO: CHAIRMAN GARCIA
FROM: CHARLES H. HILL, DIRECTOR, DIVISION OF WATER AND WASTEWATER
ROSANNE GERVASI, DIVISION OF LEGAL SERVICES
RE: DOCKET NO. 990535-WU, APPLICATION OF FLORIDA PUBLIC UTILITIES COMPANY FOR AN INCREASE IN WATER RATES IN NASSAU COUNTY - TEST YEAR APPROVAL

By letter dated April 26, 1999, Florida Public Utilities Company (FPUC) has requested approval to use a projected test year ended December 31, 2000. The filing will utilize a base year ended December 31, 1998 and an intermediate year ended December 31, 1999. The company has indicated that they may also be requesting an interim increase using the base year ended December 31, 1998.

FPUC 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 utility's last rate case was filed in October 1986. Since the last rate case and in recent history, the utility has experienced increased replacement plant costs; plant expansion and improvement projects due to significant population growth and new regulations; significant improvements to a high service pump and building, and an increase in operation expenses. All of these reasons have contributed to the utility's current inadequate rate of return. Additionally, the utility states that significant system improvements projects estimated to cost in excess of \$1,000,000 are underway and are expected to be completed in 1999. In 2000, the utility is projecting construction of a major loop main which is expected to cost over \$500,000. The utility states that a projected test year would be more representative of normal company operations for a twelve-month period. The 1998 historic year had two extensive droughts and there were warmer than normal average temperatures.

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 1996 through 1998. Based on our review, we believe that the requested test year should be approved. Receipt of the application by August 1, 1999, will be acceptable.

The test year letter filename is I:\PSC\WAW\WP\FPUC-TYA.PWM

- AFA c: Dr. Mary Bane, Deputy Executive Director/Technical
APP Division of Water and Wastewater (Willis, Crouch, Merchant)
CAF Division of Legal Services (Gervasi)
CMU Division of Records and Reporting
CTR Jackie Edwards
EAG
LEG
MAS
OPC
RRR
SEC
WAW
OTH

DOCUMENT NUMBER-DATE

05607-111-48

FPSC RECORDS/REPORTING

JOE GARCIA  
CHAIRMAN



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2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0855  
(850) 413-6042

## Public Service Commission

May 4, 1999

Mr. Darryl Troy  
Vice President  
Florida Public Utilities Company  
401 South Dixie Highway  
West Palm Beach, Florida 33401

Dear Mr. Troy:

Re: Docket No. 990535-WU, Application of Florida Public Utilities Company for Increased Water Rates in Nassau County - Test Year Approval

We have received your letter dated April 26, 1999, requesting approval to use a projected test year ended December 31, 2000, with an historical base year of December 31, 1998. Staff has also confirmed by telephone that you are also requesting to use the historical test year ended December 31, 1998 for interim rate purposes. Your letter states that the utility will file its application using the Proposed Agency Action provision in Section 367.081(8), Florida Statutes. 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 (PAA) process.

For administrative purposes only, Docket No. 990535-WU 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 August 1, 1999. 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

Mr. Darryl Troy  
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increased operation and maintenance expenses, particularly those in excess of customer growth and inflation for the five years preceding the requested historic test year.

Sincerely,

Joe A. Garcia  
Chairman

JAG/pwm

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