

SCANNED

MEMORANDUM

October 16, 2000

✓ RECEIVED-FPSC
00 OCT 16 AM 10:43
RECORDS AND REPORTING

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (FUDGE) *ps*
RE: DOCKET NO. 951056-WS - APPLICATION FOR RATE INCREASE IN
FLAGLER COUNTY BY PALM COAST UTILITY CORPORATION.

1879-AS

Attached is an ORDER APPROVING JOINT OFFER OF SETTLEMENT AND PROPOSAL FOR DISPOSITION OF MANDATE ON REMAND, to be issued in the above-referenced docket.

(Number of pages in order - 62)

ATTACHMENTS NOT ONLINE

JKF/lw

Attachment

ATTACHMENT(S) NOT ON-LINE

cc: Division of Economic Regulation (Willis, Merchant, Rendell)

I:951056OR.JKF

scan copy made

9 self mailers

Doc. 13089-00

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate
increase in Flagler County by
Palm Coast Utility Corporation.

DOCKET NO. 951056-WS
ORDER NO. PSC-00-1879-AS-WS
ISSUED: OCTOBER 16, 2000

The following Commissioners participated in the disposition of
this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
BRAULIO L. BAEZ

ORDER APPROVING JOINT OFFER OF SETTLEMENT
AND PROPOSAL FOR DISPOSITION OF MANDATE ON REMAND

BY THE COMMISSION:

BACKGROUND

Palm Coast Utility Corporation (PCUC or utility) provides water and wastewater service to the public in Flagler County. PCUC is located in a critical use area as designated by the St. Johns River Water Management District (SJRWMD). During the twelve months ending December 31, 1994 (the historical test year), the utility recorded operating revenues of \$5,007,702 for water service and \$2,951,217 for wastewater service. During the same period, PCUC reported a net operating loss of \$2,247 for water and net operating income of \$281,533 for wastewater.

On December 27, 1995, the utility filed an application for increased rates pursuant to Sections 367.081 and 367.082, Florida Statutes. The utility satisfied the Minimum Filing Requirements (MFRs) for a rate increase on February 12, 1996 and that date was designated as the official filing date pursuant to Section 367.083, Florida Statutes.

By Order No. PSC-96-0493-FOF-WS, issued April 9, 1996, (Interim Order) we approved interim rates for PCUC based upon a historic test year, designed to generate \$5,491,319 in annual water revenues and \$3,432,636 in annual wastewater revenues, subject to refund with interest. This represents a \$483,617 (9.66%) increase

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over water test year revenues, and a \$481,419 (16.31%) increase over wastewater test year revenues.

A prehearing was held in Tallahassee on June 20, 1996. The hearing was held in Palm Coast on July 1 and 2, 1996 and concluded in Tallahassee on July 19, 1996. The Office of Public Counsel (OPC), Dunes Community Development District (Dunes), and Flagler County intervened in this docket.

On November 7, 1996, we issued Order No. PSC-96-1338-FOF-WS (Final Order). On November 22, 1996, PCUC filed a timely Motion for Reconsideration (Motion) and a Request for Oral Argument. On December 2, 1996, OPC filed its timely response to PCUC's motion. On January 24, 1997, PCUC filed an additional Request for Oral Argument and an Amended Motion for Reconsideration or, Alternatively, Motion to Correct Computational Errors (Amended Motion). On January 31, 1997, OPC filed its response to PCUC's Amended Motion. On February 26, 1997, PCUC filed its Second Amended Motion for Reconsideration or, Alternatively, Amended Motion to Correct Computational Errors. OPC filed its response to this Second Amended Motion on March 3, 1997.

By Order No. PSC-97-0388-FOF-WS, issued on April 7, 1997, (Reconsideration Order) we granted in part and denied in part PCUC's Motion for Reconsideration, denied PCUC's Amended and Second Motions for Reconsideration and denied the requests for oral argument. As a result of that Order, PCUC was ordered to refund a percentage of the interim water and wastewater revenues and lower certain water rates and all wastewater rates.

On April 11, 1997, PCUC filed its Motion for Stay Pending Judicial Review. By Order No. PSC-97-0655-FOF-SU, issued June 9, 1997, we granted PCUC's Motion for Stay of Orders Nos. PSC-96-1338-FOF-WS and PSC-97-0388-FOF-WS, which required PCUC to decrease certain water rates and all wastewater rates charged to customers, refund a percentage of interim revenues, and file additional security.

On May 8, 1997, PCUC appealed the Final Order issued November 7, 1996. On May 10, 1999, the First District Court of Appeal issued its opinion on review of the Final Order. Palm Coast Utility Corp. v. FPSC, 24 Fla. L. Weekly D1182a (Fla 1st DCA May 10, 1999). Among other things, the Court reversed and remanded for further proceedings on issues of fire flow, lot count methodology, annual average daily flow, margin reserve, and imputation of CIAC. The Court remanded these issues to the Commission.

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We filed a Motion for Clarification on May 25, 1999, to determine whether further evidentiary proceedings were permissible on remand. The Court issued a corrected opinion on October 14, 1999. See Palm Coast Utility Corp. v. FPSC, 742 So. 2d 482 (Fla. 1st DCA 1999). In that opinion, the Court reversed and remanded for further proceedings, including the introduction of additional evidence on the issue of lot county methodology, fire flow allowance, and annual average daily flow.

On August 5, 1996, the Flagler County Board of County Commissioners (County) met and adopted Resolution No. 96-62 rescinding Commission jurisdiction in Flagler County effective immediately. Although that resolution was acknowledged in Order No. PSC-96-1391-FOF-WS, issued November 20, 1996, Section 367.171(5), Florida Statutes, states that "[w]hen a utility becomes subject to regulation by a county, all cases in which the utility is a party then pending before the commission, or in any court by appeal from any order of the commission, shall remain within the jurisdiction of the commission or court until disposed of." Therefore, we maintain jurisdiction over Docket No. 951056-WS now before us on remand.

On February 7, 2000, we issued Order No. PSC-00-0240-FOF-WS, which required PCUC to increase the original appeal bond to the amount of \$1,633,122 to cover the total potential refund. On January 22, 1999, Florida Water Services Corporation (Florida Water) purchased the assets of PCUC. On April 3, 2000, we granted Florida Water's Motion for Abatement and Continuance to allow sufficient time for the Flagler County Utility Regulatory Interim Authority (FCURIA) to resolve Florida Water's application and allow Florida Water and the parties to move forward with an offer of settlement or settlement agreement for resolution of the issues on remand and closure of this docket.

On August 15, 2000, Florida Water and Flagler County filed a Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand (Proposed Settlement). A copy of the proposed settlement is appended to this Order as Attachment A. The purpose of the Proposed Settlement is to resolve the outstanding issues on remand in the instant case.

Although OPC and the Dunes were also parties to the original proceeding, they are not signatories to the Proposed Settlement. However, our staff has contacted OPC and OPC does not object to the Proposed Settlement. Our staff has also contacted the Dunes and it takes no position on the Proposed Settlement at this time.

In considering the Proposed Settlement, we analyzed whether it would be in the public interest to accept this offer as an appropriate resolution of this case on remand. We examined possible outcomes on the three discretionary issues (lot count methodology, fire flow allowance, and annual average daily flow) and what the utility is willing to accept in its Proposed Settlement.

The premise is that we could decline to conduct further proceedings, and the utility would be entitled to the revenues associated with the three discretionary issues. The additional revenues required for these three issues can be calculated from the evidence in the record. Where the utility has agreed to accept less than the maximum amount of revenues, we may decide that, at some point, the public interest would not be served by conducting further hearings. Also, where the utility is willing to take less than what it is entitled to under the court's remand decision, then due process has been met, and our decision may be issued as final agency action.

In addition to determining whether the Proposed Settlement is in the public interest, we must also determine whether any of the provisions of the Proposed Settlement are in contravention of the law, due process, or the law of the case as set forth in the First District's opinion. Our analysis is based on all the above-noted conditions.

PROPOSED SETTLEMENT

Revenue Requirement

In the Proposed Settlement, Florida Water proposes rates based on the final rates and revenue requirements ordered in the Reconsideration Order, with a reduction to reflect Flagler County's reduced regulatory fee percentage of 2.5%, thereby foregoing all of the increased revenue at issue on remand. The proposed prospective rates would represent a rate reduction of approximately 9% for the typical Flagler County water and wastewater residential customer when compared with interim rates currently in effect.

We find that foregoing all of the increased revenue at issue on remand would eliminate any further proceedings on the matter, and with the prospective rate reduction, it is a benefit to all customers and is in the public interest.

Three Year Stay Out Provision

As a condition of the Proposed Settlement, Florida Water has agreed to abstain from filing a petition for increased rates with the County for the Palm Coast service areas in Flagler County, unless Flagler County or the FCURIA pursues an earnings investigation or decrease in Florida Water's rates. However, Florida Water would be allowed to file for index and pass-through increases during the three year period if FCURIA's rules are modified to allow for such adjustments.

Because we are not precluded from pursuing an earnings investigation or decrease in the event jurisdiction over private water and wastewater utilities in Flagler County is returned to this Commission, we find this condition to be acceptable.

Accrued Rate Case Expense

Florida Water has agreed that accrued rate case expense relating to reconsideration, appeals, and the remand proceedings will not be deferred or requested in the next general rate application before the County, FCURIA, or this Commission. In addition, there would be no rate reduction in the future to reflect the completion of the amortization of rate case expense authorized in the Final Order.

No Refunds or Surcharges

As a condition of the Proposed Settlement, there would be no refunds or surcharges arising out of Docket No. 951056-WS, because the current interim rates are the correct rates during the interim period. Moreover, because our decision was reversed as to the margin reserve and imputation of CIAC issues, Florida Water would be entitled to a surcharge to recover that difference. See GTE Florida Inc. v. Clark, 668 So. 2d 971 (Fla. 1996).

However, in other dockets, we have found that "[i]t is more inequitable to surcharge customers who had no ability to change consumption or choose to remain a utility customer." Consequently, we have approved settlements in which the utilities have forgone any surcharges to their customers. See Order No. PSC-98-0143-FOF-WS, issued January 26, 1998, in Docket No. 920199-WS; Order No. PSC-99-1794-FOF-WS, issued September 14, 1999, in Docket No. 950495-WS.

We find that this condition of the Proposed Settlement is the most equitable decision because it disposes of any refund or surcharge and any effect they would have on the utility and its customers.

Resolution Does not Represent Precedent or Policy

The Proposed Settlement states that:

The resolution of the revenue requirements and rate issues as proposed herein shall not be construed to reflect Commission, Flagler County Utility Regulatory Interim Authority or Flagler County Board of County Commissioners precedent or policy and shall not be revisited or reconsidered by the Commission, Flagler County Utility Regulatory Interim Authority or Flagler County Board of County Commissioners.

We note that the Court remanded the decision on appeal for further proceedings, including the introduction of additional evidence on the issue of lot county methodology, fire flow allowance, and annual average daily flow, at our discretion. Because the Proposed Settlement would dispose of these pending issues, we find that this condition of the Proposed Settlement is appropriate.

Having reviewed all the above provisions, we find that the Proposed Settlement provides a fair and reasonable resolution of this matter. The agreement reached between Florida Water and Flagler County reaches a reasonable compromise and is in the public interest. Moreover, as stated above, OPC does not oppose the Proposed Settlement, and the Dunes takes no position on the Proposed Settlement. Therefore, we accept the Proposed Settlement in its entirety.

Approval of the Proposed Settlement will dispose of all outstanding issues in this case. Consequently, the bond guaranteeing the revenues during the pendency of this proceeding shall be released, and this docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand filed by Florida Water Services Corporation and Flagler

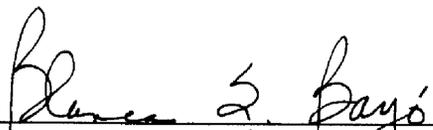
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County, attached to this Order as Attachment A and incorporated herein by reference, is hereby approved. It is further

ORDERED that the bond guaranteeing the revenues during the pendency of this proceeding shall be released. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 16th day of October, 2000.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

JKF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme

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Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Attachment A

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate)
increase in Flagler County by)
Palm Coast Utility Corporation)
_____)

Docket No. 951056-WS

Filed: August 15, 2000

**JOINT OFFER OF SETTLEMENT AND
PROPOSAL FOR DISPOSITION OF
MANDATE ON REMAND**

This Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand is filed by Florida Water Services Corporation ("Florida Water") and Intervenor Flagler County to resolve outstanding issues on remand in the above-referenced docket.

PRELIMINARY INFORMATION

1. The name and principal business address of the Joint Movants are:

Florida Water Services Corporation
1000 Color Place
Apopka, FL 32703

Flagler County
1200 East Moody Boulevard
Bunnell, FL 32110

2. The persons authorized to receive notices, orders, pleadings and other documents and

communications with respect to this Amended Application are:

As to Florida Water:

Kenneth A. Hoffman, Esq.
J. Stephen Menton, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, Florida 32302
(850) 681-6788 (Telephone)
(850) 681-6515 (Telecopier)

and

DOCUMENT NUMBER-DATE

09893 AUG 15 2000

FILED BEFORE READING

As to Flagler County:

John T. LaVia, III, Esq.
Landers & Parsons, P.A.
Post Office Box 271
Tallahassee, FL 32302-0271
(850) 681-0311 (Telephone)
(850) 224-5595 (Telecopier)

Gary Eckstine, Esq.
1200 East Moody Boulevard
Suite 11
Bunnell, FL 32110

3. Florida Water was incorporated on November 22, 1961 under the laws of the state of Florida and is currently authorized to conduct business in the State of Florida.

4. Florida Water provides water and wastewater service in more than one hundred service areas pursuant to certificates issued by the Florida Public Service Commission ("FPSC" or "Commission"). Florida Water also provides water and wastewater service in Flagler County pursuant to certificates of authority issued to Palm Coast Utility Corporation ("PCUC") and transferred to Florida Water pursuant to order issued January 12, 1999 by the Flagler County Utility Regulatory Interim Authority.

5. Florida Water purchased the assets of PCUC on January 22, 1999. The transfer of PCUC's water and wastewater certificates to Florida Water was approved by the Flagler County Board of County Commissioners acting as the Flagler County Utility Regulatory Interim Authority by order dated January 12, 1999.

BACKGROUND FACTS

6. On December 27, 1995, PCUC filed an application for increased water and wastewater rates with the FPSC pursuant to Sections 367.081 and 367.082, Florida Statutes. PCUC's application was assigned Docket No. 951056-WS.

7. By Order No. PSC-96-0493-FOF-WS, issued April 9, 1996, the Commission approved interim rates for PCUC designed to generate \$5,491,391 in annual water revenues and \$3,432, 636 in annual wastewater revenues, subject to refund with interest.

8. On November 7, 1996, the Commission issued Order No. PSC-96-1338-FOF-WS ("Final Order"). On November 22, 1996, PCUC filed a timely Motion for Reconsideration of the Final Order and a Request for Oral Argument. On December 2, 1996, the Office of Public Counsel ("OPC") filed its timely response to PCUC's motion and request. On January 24, 1997, PCUC filed an additional Request for Oral Argument and an Amended Motion for Reconsideration or, Alternatively, Motion to Correct Computational Errors ("Amended Motion"). On January 31, 1997, OPC filed its response to PCUC's Amended Motion. On February 26, 1997, PCUC filed its Second Amended Motion for Reconsideration or, Alternatively, Amended Motion to Correct Computational Errors. OPC filed its response to this Second Amended Motion on March 3, 1997.

9. By Order No. PSC-97-0388-FOF-WS, issued on April 7, 1997 ("Reconsideration Order"), the Commission granted in part and denied in part PCUC's Motion for Reconsideration, denied PCUC's Amended and Second Motions for Reconsideration and denied the requests for oral argument. As a result of this order, PCUC was ordered to refund a percentage of the interim water and wastewater revenues and lower certain water rates and all wastewater rates.

10. On April 11, 1997, PCUC filed its Motion for Stay Pending Judicial Review. By Order No. PSC-97-0655-FOF-SU, issued June 9, 1997, the Commission granted PCUC's Motion for Stay of Orders Nos. PSC-96-1338-FOF-WS and PSC-97-0388-FOF-WS.

11. On August 12, 1997, PCUC appealed the Final Order issued November 7, 1996. On May 10, 1999, the First District Court of Appeal issued its opinion on review of the Final Order.

Palm Coast Utility Corporation v. FPSC, 24 Fla. L. Weekly D1182a (Fla. 1st DCA, May 10, 1999).

The Court reversed and remanded the Commission's:

- (a) use of a lot count methodology to reduce the level of used and useful water distribution and transmission and wastewater collection lines to be included in rate base;
- (b) exclusion of a fire flow allowance to reduce rate base;
- (c) use of average annual daily flows to reduce the level of used and useful wastewater treatment plant to be included in rate base;
- (d) use of an eighteen month margin reserve to reduce the level of used and useful wastewater plant to be included in rate base; and
- (e) imputation of contributions-in-aid-of-construction on the margin reserve based on proposed rather than actual service availability charges to further reduce rate base.

12. The Commission filed a Motion for Clarification on May 25, 1999, to determine whether further evidentiary proceedings were permissible on remand. The court issued a corrected opinion on October 14, 1999 authorizing further proceedings, including the introduction of additional evidence only on the issues concerning lot count methodology, fire flow allowance, and annual average daily flow. Palm Coast Utility Corporation v. FPSC, 742 So. 2d 482 (Fla. 1st DCA 1999).

13. On August 5, 1996, the Flagler County Board of County Commissioners (Flagler County or the County) met and adopted Resolution No. 96-62 rescinding Commission jurisdiction in Flagler County effective immediately. Although that resolution was acknowledged in Order No. PSC-96-1391-FOF-WS, issued November 20, 1996, Section 367.171(5) states that "[w]hen a utility becomes subject to regulation by a county, all cases in which the utility is a party then pending

before the commission, or in any court by appeal from any order of the commission shall remain within the jurisdiction of the commission or court until disposed of." Therefore, the Commission still has jurisdiction over the Docket No. 951056-WS rate case currently before the Commission on remand.

14. Following the issuance of the Court's mandate and remand to the Commission, on December 17, 1999, Florida Water filed an Application for Conditional Establishment of Water and Wastewater Rates with the Flagler County Utility Regulatory Interim Authority ("FCURIA").

15. On March 3, 2000, Florida Water filed a Motion for Abatement and Continuance of this proceeding seeking an abatement of six months to allow FCURIA and the Flagler County Board of County Commissioners sufficient time to consider and resolve Florida Water's Application and allow additional time to discuss settlement with the Office of Public Counsel, prior to moving forward with the filing of an offer of settlement or settlement agreement. By Order No. PSC-00-0624-PCO-WS issued April 3, 2000, the Prehearing Officer granted Florida Water's Motion.

16. On May 9, 2000, Florida Water filed an Amended Application for Conditional Establishment of Water and Wastewater Rates ("Amended Application") with FCURIA. A copy of Florida Water's Amended Application and revised Exhibits B and C to the Amended Application are attached hereto as Composite Exhibit A. By Order issued July 10, 2000, FCURIA and the Flagler County Board of County Commissioner approved Florida Water's Amended Application. A copy of the July 10, 2000 FCURIA/Flagler County Order is attached hereto as Exhibit B.

FLORIDA WATER AND FLAGLER COUNTY'S JOINT OFFER OF SETTLEMENT AND PROPOSAL FOR DISPOSITION OF MANDATE ON REMAND

17. Florida Water and Flagler County propose to resolve the issues on remand by requesting that the Commission approve the conditional rates, terms and conditions for service reflected in Florida Water's Amended Application for Conditional Establishment of Water and Wastewater Rates approved by FCURIA and Flagler County. Such rates, terms and conditions are subject to this Commission's approval of this Joint Offer of Settlement Proposal for Disposition of Mandate on Remand.

18. Based on the Court's reversal of the Commission's Final Order, Florida Water's revenue requirements will increase. Florida Water proposes to establish water and wastewater rates which reflect a compromise concerning the amount of additional revenue at issue before the Commission. In doing so, Florida Water would forego the opportunity to further increase water and wastewater rates subject to the conditions set forth in this Application. Florida Water notes that its proposed final rates actually result in a rate decrease when compared with the interim rates currently in effect.

19. As reflected by the attached Exhibit C, Florida Water would increase its water revenue requirement by \$294,777 and its wastewater revenue requirement by \$450,604 if Florida Water prevails on the remaining issues on remand.¹ Florida Water proposes to establish prospective rates based on the final rates and revenue requirements ordered in the Reconsideration Order, with

¹Under the Court's decision, there would be no further evidentiary proceedings before the Commission in response to the Court's reversal on the margin reserve and imputation of CIAC issues. The increases in Florida Water's revenue requirements attendant to these issues would be implemented immediately.

a reduction to reflect Flagler County's reduced regulatory fee percentage of 2.5% (from 4.5%) - - thereby foregoing all of the increased revenue at issue on remand. As shown in Exhibit D, Florida Water's proposed prospective rates would provide a rate reduction of approximately 9% for the typical Flagler County water and wastewater residential customer when compared with interim rates currently in effect. Florida Water's proposed prospective rates are shown in Composite Exhibit E.

20. The acquisition of PCUC by Florida Water has brought demonstrated economies of scale by reducing operations and maintenance expenses.

21. Based on the foregoing, Florida Water proposes to establish as final prospective water and wastewater rates, the final rates approved by the Commission in the Reconsideration Order and conditionally by FCURIA and Flagler County, as shown in Composite Exhibit E. As part of its joint offer of settlement, Florida Water and Flagler County propose the following additional terms and conditions:

(a) Florida Water would abstain from filing a petition for increased rates for the Palm Coast service areas in Flagler County for a period of three years following the July 10, 2000 Order issued by FCURIA and the Flagler County Board of County Commissioners approving the Amended Application; however, indexing and pass-through increases would be allowed for this three-year period if FCURIA's rules are modified to allow for such rate adjustments. Further, if a petition or complaint is filed seeking a decrease in Florida Water's rates and/or the Flagler County Board of County Commissioners (or the Flagler County Utility Regulatory Interim Authority) pursues an earnings investigation or decrease in Florida Water's rates, then the three-year stay-out terminates as of the date such case or docket is opened and Florida Water may pursue appropriate rate relief.

(b) Accrued rate case expense relating to reconsideration, appeals and the remand proceedings in FPSC Docket No. 951056-WS will not be deferred or requested in Florida Water's next general rate application before the Flagler County Board of County Commissioners and Flagler County Utility Regulatory Interim Authority, or before the Commission, in the event jurisdiction over private water and wastewater utilities is returned to the Commission prior to the filing of Florida Water's next general rate case application.

(c) There would be no rate reduction in the future to reflect the completion of the amortization of rate case expense authorized by the FPSC in the Final Order.

(d) There would be no refunds or surcharges arising out of Docket No. 951056-WS pending on remand before the Florida Public Service Commission. The interim rates currently in effect are the appropriate rates during the interim rate period and until the Florida Public Service Commission approved final settlement rates as proposed herein become effective.

(e) The resolution of the revenue requirements and rate issues as proposed herein shall not be construed to reflect Commission, Flagler County Utility Regulatory Interim Authority or Flagler County Board of County Commissioners precedent or policy and shall not be revisited or reconsidered by the Commission, the Flagler County Utility Regulatory Interim Authority or the Flagler County Board of County Commissioners.

(f) Fire hydrant charges currently being paid to Florida Water by Flagler County will be eliminated with the implementation of the rates proposed herein.

(g) The rates proposed herein would be implemented within 60 days after the Commission vote in this docket approving the Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand.

(h) Florida Water would also contribute \$150,000 over three years at \$50,000 per year to the Flagler County School Board for the express purpose and only the express purpose of improving and augmenting the emergency electric service at the Flagler County Emergency Shelters. The first payment of the contribution would correspond with the implementation of revised rates as set forth in sub-paragraph (g) above.

22. Florida Water and Flagler County's Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand serves the public interest and should be approved by the Commission. Approval of this Joint Offer of Settlement serves the public interest in the following ways:

(a) The overall water and wastewater revenue requirement increase of \$745,381 at issue on remand would be eliminated.

(b) The typical Flagler County water and wastewater residential customer would receive a rate decrease of approximately 9% below the current effective interim rates.

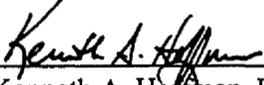
(c) Potential out-of-pocket cash payments of surcharges would be eliminated.

(d) Florida Water would stay out of rate cases affecting the Flagler County service areas for three years.

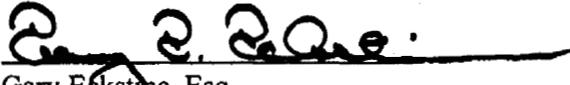
(e) Florida Water would forego recovery of all rate case expense related to reconsideration of the Final Order, the appeal of the Final Order, and the remand process before the Commission. Additional rate case expense which would be incurred by litigating the issues on remand, including appeals, which likely would total in the hundreds of thousands of dollars, would also be eliminated.

WHEREFORE, Florida Water and Flagler County respectfully request that the Commission enter a final order approving this Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand.

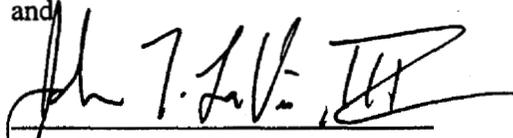
Respectfully submitted,


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J. Stephen Menton, Esq.
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P. O. Box 551
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Bunnell, FL 32110

and


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(850) 681-0311 (Telephone)
(850) 224-5595 (Telecopier)

Attorneys for Flagler County

CERTIFICATE OF SERVICE

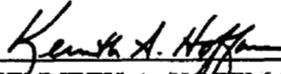
I HEREBY CERTIFY that a copy of the foregoing was furnished by hand delivery(*) and U. S. Mail, this 15 day of August, 2000, to:

Roseanne Gervasi, Esq.
Jason Fudge, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Room 370
Tallahassee, Florida 32399

John T. LaVia, III, Esq.
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Tallahassee, FL 32701-0271

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Gary Eckstine, Esq.
1200 East Moody Boulevard
Suite 11
Bunnell, FL 32110



KENNETH A. HOFFMAN, ESQ.

F:\USERS\ROXANNE\palmcoast\palmcoast.jos

**BEFORE THE FLAGLER COUNTY UTILITY
REGULATORY INTERIM AUTHORITY**

In Re: Application of Florida)
Water Services Corporation, successor)
in interest to Palm Coast Utility)
Corporation, for Conditional)
Establishment of Increased Water)
and Wastewater Rates.)
_____)

Case No. _____

**AMENDED APPLICATION OF FLORIDA WATER SERVICES
CORPORATION, SUCCESSOR IN INTEREST TO PALM
COAST UTILITY CORPORATION, FOR CONDITIONAL
ESTABLISHMENT OF WATER AND
WASTEWATER RATES**

Florida Water Services Corporation ("Florida Water"), successor in interest to Palm Coast Utility Corporation ("PCUC"), hereby files its Amended Application for Conditional Establishment of Water and Wastewater Rates and states as follows:

PRELIMINARY INFORMATION

1. The name and principal business address of the Applicant is:

Florida Water Services Corporation
1000 Color Place
Apopka, FL 32703

2. The persons authorized to receive notices, orders, pleadings and other documents and communications with respect to this Amended Application are:

Kenneth A. Hoffman, Esq.
J. Stephen Menton, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, Florida 32302
(850) 681-6788 (Telephone)
(850) 681-6515 (Telecopier)

and

**COMPOSITE
EXHIBIT A**

Matthew J. Feil, Esq.
Florida Water Services Corporation
1000 Color Place
Apopka, FL 32703
(407) 598-4260 (Telephone)

3. Florida Water was incorporated on November 22, 1961 under the laws of the state of Florida and is currently authorized to conduct business in the State of Florida. Topeka's address is 30 West Superior Street, Duluth, Minnesota 55802.

4. Florida Water provides water and wastewater service in more than one hundred service areas pursuant to certificates issued by the Florida Public Service Commission ("FPSC" or "Commission"). Florida Water also provides water and wastewater service in Flagler County pursuant to certificates of authority issued to PCUC and transferred to Florida Water pursuant to order issued January 12, 1999 by the Flagler County Utility Regulatory Interim Authority.

5. Florida Water purchased the assets of PCUC by agreement dated May 11, 1998. The transfer of PCUC's water and wastewater certificates to Florida Water was approved by the Flagler County Board of County Commissioners acting as the Flagler County Utility Regulatory Interim Authority by order dated January 12, 1999.

BACKGROUND FACTS

6. On December 27, 1995, PCUC filed an application for increased water and wastewater rates with the FPSC pursuant to Sections 367.081 and 367.032, Florida Statutes. PCUC's application was assigned Docket No. 951056-WS.

7. By Order No. PSC-96-0493-FOF-WS, issued April 9, 1996, the Commission approved interim rates for PCUC designed to generate \$5,491,391 in annual water revenues and \$3,432, 636 in annual wastewater revenues, subject to refund with interest.

8. On November 7, 1996, the Commission issued Order No. PSC-96-1338-FOF-WS ("Final Order"). On November 22, 1996, PCUC filed a timely Motion for Reconsideration of the Final Order and a Request for Oral Argument. On December 2, 1996, OPC filed its timely response to PCUC's motion and request. On January 24, 1997, PCUC filed an additional Request for Oral Argument and an Amended Motion for Reconsideration or, Alternatively, Motion to Correct Computational Errors ("Amended Motion"). On January 31, 1997, OPC filed its response to PCUC's Amended Motion. On February 26, 1997, PCUC filed its Second Amended Motion for Reconsideration or, Alternatively, Amended Motion to Correction Computational Errors. OPC filed its response to this Second Amended Motion on March 3, 1997.

9. By Order No. PSC-97-0388-FOF-WS, issued on April 7, 1997 ("Reconsideration Order"), the Commission granted in part and denied in part PCUC's Motion for Reconsideration, denied PCUC's Amended and Second Motions for Reconsideration and denied the requests for oral argument. As a result of this order, PCUC was ordered to refund a percentage of the interim water and wastewater revenues and lower certain water rates and all wastewater rates.

10. On April 11, 1997, PCUC filed its Motion for Stay Pending Judicial Review. By Order No. PSC-97-0655-FOF-SU, issued June 9, 1997, the Commission granted PCUC's Motion for Stay of Orders Nos. PSC-96-1338-FOF-WS and PSC-97-0388-FOF-WS.

11. On August 12, 1997, PCUC appealed the Final Order issued November 7, 1996. On May 10, 1999, the First District Court of Appeal issued its opinion on review of the Final Order. Palm Coast Utility Corporation v. FPSC, 24 Fla. L. Weekly D1182a (Fla. 1st DCA, May 10, 1999). The Court reversed and remanded the Commission's unlawful:

- (a) use of a lot count methodology to reduce the level of used and useful water

distribution and transmission and wastewater collection lines to be included in rate base;

- (b) exclusion of a fire flow allowance to reduce rate base;
- (c) use of average annual daily flows to reduce the level of used and useful wastewater treatment plant to be included in rate base;
- (d) use of an eighteen month margin reserve to reduce the level of used and useful wastewater plant to be included in rate base; and
- (e) imputation of contributions-in-aid-of-construction on the margin reserve based on proposed rather than actual service availability charges to further reduce rate base.

12. The Commission filed a Motion for Clarification on May 25, 1999, to determine whether further evidentiary proceedings were permissible on remand. The court issued a corrected opinion on October 14, 1999 authorizing further proceedings, including the introduction of additional evidence only on the issues concerning lot count methodology, fire flow allowance, and annual average daily flow. Palm Coast Utility Corporation v. FPSC, 24 Fla. L. Weekly D2269 (Fla. 1st DCA, Sept. 28, 1999).

13. On August 5, 1996, the Flagler County Board of County Commissioners (Flagler County or the County) met and adopted Resolution No. 96-62 rescinding Commission jurisdiction in Flagler County effective immediately. Although that resolution was acknowledged in Order No. PSC-96-1391-FOF-WS, issued November 20, 1996, Section 367.171(5) states that "[w]hen a utility becomes subject to regulation by a county, all cases in which the utility is a party then pending before the commission, or in any court by appeal from any order of the commission, shall remain within the jurisdiction of the commission or court until disposed of." Therefore, the Commission still has jurisdiction over the Docket No. 951056-WS rate case currently before the Commission on

remand.

REQUEST FOR CONDITIONAL INCREASE IN WATER AND WASTEWATER RATES

14. Based on the Court's reversal of the Commission's Final Order, Florida Water's revenue requirements will increase. Florida Water proposes to establish water and wastewater rates which reflect a compromise concerning the amount of additional revenue at issue before the Commission. In doing so, Florida Water would forego the opportunity to further increase water and wastewater rates subject to the conditions set forth in this Application. Florida Water notes that its proposed conditional final rates actually result in a rate decrease when compared with the interim rates currently in effect.

15. As reflected by the attached Exhibit A, Florida Water will increase its water revenue requirement by \$294,777 and its wastewater revenue requirement by \$450,604 if Florida Water prevails on the remaining issues on remand.¹ Florida Water proposes to establish prospective rates based on the final rates and revenue requirements ordered in the Reconsideration Order, with a reduction to reflect Flagler County's reduced regulatory fee percentage of 2.5% (from 4.5%) - - thereby foregoing all of the increased revenue at issue on remand. As shown in Exhibit B, Florida Water's proposed prospective rates would provide a rate reduction of approximately 9% for the typical Flagler County water and wastewater residential customer when compared with interim rates currently in effect. Florida Water's proposed prospective rates are shown in Composite Exhibit C.

¹Under the Court's decision, there would be no further evidentiary proceedings before the Commission in response to the Court's reversal on the margin reserve and imputation of CIAC issues. The increases in Florida Water's revenue requirements attendant to these issues would be implemented immediately.

16. The acquisition of PCUC by Florida Water has brought demonstrated economies of scale by reducing operations and maintenance and return on equity. In addition, as shown in Exhibit D, under the settlement, Florida Water will earn well below its authorized rate of return and return on equity on the PCUC land and facilities.

17. Based on the foregoing, Florida Water proposes to establish as final prospective water and wastewater rates, the final rates approved by the Commission in the Reconsideration Order, as shown in Composite Exhibit B. These rates are subject to and conditioned on the approval of the Flagler County Utility Regulatory Interim Authority and Flagler County Board of County Commissioners and to the following conditions:

(a) Florida Water would abstain from filing a petition for increased rates for the Palm Coast service areas in Flagler County for a period of three years following the issuance of an order by the Flagler County Board of County Commissioners approving this Amended Application in all respects; however, indexing and pass-through increases would be allowed for this three-year period. Further, if a petition or complaint is filed seeking a decrease in Florida Water's rates and/or the Flagler County Board of County Commissioners (or the Flagler County Utility Regulatory Interim Authority) pursues an earnings investigation or decrease in Florida Water's rates, then the three-year stay-out terminates as of the date such case or docket is opened and Florida Water may pursue appropriate rate relief.

(b) Accrued rate case expense relating to reconsideration, appeals and the remand proceedings in FPSC Docket No. 951056-WS will not be deferred or requested in Florida Water's next general rate application before the Flagler County Board of County Commissioners and Flagler County Utility Regulatory Interim Authority.

(c) There would be no rate reduction in the future to reflect the completion of the amortization of rate case expense authorized by the FPSC in the Final Order.

(d) There would be no refunds or surcharges arising out of Docket No. 951056-WS pending on remand before the Florida Public Service Commission. The interim rates currently in effect are the appropriate rates during the interim rate period and until the Florida Public Service Commission approved final settlement rates as proposed herein become effective.

(e) The resolution of the revenue requirements and rate issues as proposed herein shall not be constructed to reflect Commission, Flagler County Utility Regulatory Interim Authority or Flagler County Board of County Commissioners precedent or policy and shall not be revisited or reconsidered by the Commission, the Flagler County Utility Regulatory Interim Authority or the Flagler County Board of County Commissioners.

(f) Fire hydrant charges currently being paid to Florida Water by Flagler County will be eliminated with the implementation of the rates proposed herein.

(g) Flagler County will join Florida Water and use its best efforts in support of and to secure FPSC approval of a proposed Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand reflecting the rates, terms and conditions provided in this Amended Application. This Joint Offer is to be filed with the FPSC in Docket No. 951056-WS for approval by the Commission and closure of said docket.

(h) The rates proposed herein would be implemented within 60 days after the Commission vote in Docket No. 951056-WS approving the Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand.

(i) This Amended Application for Conditional Water and Wastewater Rates, including all conditions stated above, are not severable, divisible or subject to modification and shall be deemed withdrawn in the event: (i) the Flagler County Utility Regulatory Interim Authority or Flagler County Board of County Commissioners does not vote to approve this Amended Application for Conditional Establishment of Water and Wastewater Rates; or (ii) the Commission does not vote to approve the Joint Offer of Settlement and Proposal for Disposition of Mandate on Remand to be filed in Docket No. 951056-WS.

18. Florida Water's Amended Application for Conditional Establishment of Water and Wastewater Rates serves the public interest and should be approved by the Flagler County Utility Regulatory Interim Authority and the Flagler County Board of County Commissioners. Expedited approval of the Amended Application serves the public interest in the following ways:

(a) The overall water and wastewater revenue requirement increase of \$745,381 at issue on remand would be eliminated.

(b) The typical Flagler County water and wastewater residential customer receives a rate decrease of approximately 9% below the current effective interim rates.

(c) Potential out-of-pocket cash payments of surcharges are eliminated.

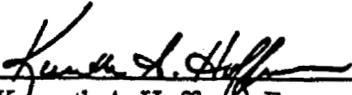
(d) Florida Water will stay out of rate cases affecting the Flagler County service areas for three years.

(e) Additional rate case expense, including appeals, which likely would total in the hundreds of thousands of dollars, is eliminated and all rate case expense related to reconsideration of the Final Order, the appeals and the remand process before the Commission is deferred until Florida Water's next rate case.

WHEREFORE, Florida Water requests:

- A. that the Flagler County Utility Regulatory Interim Authority and Flagler County Board of County Commissioners take jurisdiction over this Amended Application; and
- B. that the Flagler County Utility Regulatory Interim Authority and Flagler County Board of County Commissioners issue an order allowing Florida Water to place the final prospective rates proposed herein into effect upon satisfaction of all conditions precedent to implementation of such rates outlined in this Amended Application.

Respectfully submitted,

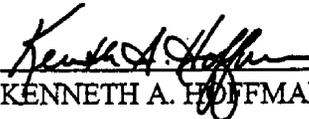

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Tallahassee, Florida 32302
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by hand delivery(*) and U. S. Mail, this 9th day of May, 2000, to:

Diane Kiesling, Esq.(*)
2727 Mahan Drive
Fort Knox Building 3
Tallahassee, FL 32308

Gary E. Eckstine, Esq.
P. O. Box 10092
Jacksonville, Florida 32247-0092

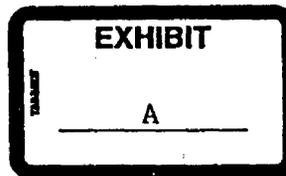

KENNETH A. HOFFMAN, ESQ.

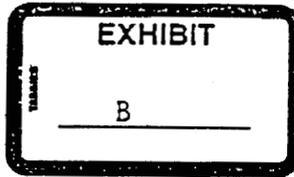
Palmcoast/app.2

**PROPOSED SETTLEMENT FOR PALM COAST RATE FILING
 PALM COAST 1 ST DCA CASE NO. 97-1720, APPEAL OF ORDER NOS.
 PSC-97-0388-FOF-WS & PSC-96-1338-FOF-WS
 DOCKET 951056-WS**

(1)	(2)	(3)	(4)
<u>Description</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ORDERED REVENUE REQUIREMENTS:			
1) Interim Ordered *	<u>5,491,319</u>	<u>3,432,636</u>	<u>8,923,955</u>
2) Final Ordered (PSC-97-0388-FOF-WS) *	<u>5,373,161</u>	<u>3,186,512</u>	<u>8,559,673</u>
3) Remand Adjustments	<u>294,777</u>	<u>450,804</u>	<u>745,381</u>
4) Final Revenues After Remand Adjustments	<u>5,687,938</u>	<u>3,637,116</u>	<u>9,305,054</u>
5) Settlement Revenue Requirements	<u>5,373,161</u>	<u>3,186,512</u>	<u>8,559,673</u>

Note: *Interim Test Year based on 12/31/94. Final Test Year based on 12/31/95.





**FLORIDA WATER SERVICES
 BILLING COMPARISON
 PALM COAST PERCENTAGE DECREASE TO CURRENT INTERIM RATES AS A RESULT
 OF PROPOSED SETTLEMENT (FINAL ORDERED RATES ADJUSTED FOR RAF DECREASE)**

PALM COAST RATE COMPARISON

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
INTERIM RATES			
5/8 X 3/4" Residential Customer: (1)			
Base	\$11.26	\$12.50	
Gallage	\$3.84	\$3.29	
Typical Bill:			
⊕ 0 Gallons	\$11.26	\$12.50	\$23.76
⊕ 1,000 Gallons	\$15.10	\$15.79	\$30.89
⊕ 2,000 Gallons	\$18.94	\$19.08	\$38.02
⊕ 3,000 Gallons	\$22.78	\$22.37	\$45.15
⊕ 4,000 Gallons	\$26.62	\$25.66	\$52.28
⊕ 5,000 Gallons	\$30.46	\$28.95	\$59.41
⊕ 6,000 Gallons	\$34.30	\$32.24	\$66.54
⊕ 7,000 Gallons	\$38.14	\$32.24	\$70.38
⊕ 8,000 Gallons	\$41.98	\$32.24	\$74.22
⊕ 9,000 Gallons	\$45.82	\$32.24	\$78.06
⊕ 10,000 Gallons (Sewer Cap 6,000)	\$49.66	\$32.24	\$81.90

SETTLEMENT RATES
(FINAL ORDERED RATES ADJUSTED FOR RAF ADJUSTMENT)

5/8 X 3/4" Residential Customer:			
Base	\$12.31	\$10.33	
Gallage	\$3.41	\$2.86	
Typical Bill:			
⊕ 0 Gallons	\$12.31	\$10.33	\$22.64
⊕ 1,000 Gallons	\$15.72	\$13.19	\$28.91
⊕ 2,000 Gallons	\$19.13	\$16.05	\$35.18
⊕ 3,000 Gallons	\$22.54	\$18.91	\$41.45
⊕ 4,000 Gallons	\$25.95	\$21.77	\$47.72
⊕ 5,000 Gallons	\$29.36	\$24.63	\$53.99
⊕ 6,000 Gallons	\$32.77	\$27.49	\$60.26
⊕ 7,000 Gallons	\$36.18	\$27.49	\$63.67
⊕ 8,000 Gallons	\$39.59	\$27.49	\$67.08
⊕ 9,000 Gallons	\$43.00	\$27.49	\$70.49
⊕ 10,000 Gallons (Sewer Cap 6,000)	\$46.41	\$27.49	\$73.90

SETTLEMENT RATE REDUCTION

\$ AMOUNT:	⊕ 0 Gallons	\$1.05	(\$2.17)	(\$1.12)
	⊕ 1,000 Gallons	\$0.62	(\$2.60)	(\$1.98)
	⊕ 2,000 Gallons	\$0.19	(\$3.03)	(\$2.84)
	⊕ 3,000 Gallons	(\$0.24)	(\$3.46)	(\$3.70)
	⊕ 4,000 Gallons	(\$0.67)	(\$3.89)	(\$4.56)
	⊕ 5,000 Gallons	(\$1.10)	(\$4.32)	(\$5.42)
	⊕ 6,000 Gallons	(\$1.53)	(\$4.75)	(\$6.28)
	⊕ 7,000 Gallons	(\$1.96)	(\$4.75)	(\$6.71)
	⊕ 8,000 Gallons	(\$2.39)	(\$4.75)	(\$7.14)
	⊕ 9,000 Gallons	(\$2.82)	(\$4.75)	(\$7.57)
	⊕ 10,000 Gallons (Sewer Cap 6,000)	(\$3.25)	(\$4.75)	(\$8.00)
PERCENTAGE:	⊕ 0 Gallons	9.33%	-17.36%	-4.71%
	⊕ 1,000 Gallons	4.11%	-15.47%	-6.41%
	⊕ 2,000 Gallons	1.00%	-15.88%	-7.47%
	⊕ 3,000 Gallons	-1.05%	-15.47%	-8.19%
	⊕ 4,000 Gallons	-2.52%	-15.16%	-8.72%
	⊕ 5,000 Gallons	-3.61%	-14.92%	-9.12%
	⊕ 6,000 Gallons	-4.46%	-14.73%	-9.44%
	⊕ 7,000 Gallons	-5.14%	-14.73%	-9.53%
	⊕ 8,000 Gallons	-5.69%	-14.73%	-9.52%
	⊕ 9,000 Gallons	-6.15%	-14.73%	-9.70%
	⊕ 10,000 Gallons (Sewer Cap 6,000)	-6.64%	-14.73%	-9.77%

Note:

(1) Current rates in effect for Palm Coast. Interim rates were adjusted for a reduction in revenue assessment fees by Flagler County (4.6% to 2.5%).

FLORIDA WATER SERVICES
 PALM COAST - DOCKET NO. 951056-WS
 Water Rate Schedule - Interim, Final Ordered, Settlement Rates
 Final Ordered Adjusted for Flagler County RAF Reduction

PAGE 1 OF 2

(1)	(2)	(3)	(4)
WATER RATE SCHEDULE			
	Current Commission Approved Interim	Commission Approved Final Per Order PSC-97-0388-FOF-WS	Proposed Settlement Rates Final Ordered Rates PSC-97-0388-FOF-WS Adjusted For Flagler County RAF Reduction (1)
Residential, General Service and Multi-Family			
Base Facility Charge:			
Meter Size:			
5/8" x 3/4"	\$11.49	\$12.57	\$12.31
1"	\$28.71	\$31.44	\$30.80
1-1/2"	\$57.42	\$62.87	\$61.58
2"	\$91.87	\$100.60	\$98.64
3"	\$183.73	\$201.20	\$197.07
4"	\$287.09	\$314.37	\$307.92
6"	\$574.18	\$628.74	\$615.84
Gallage Charge per 1,000 Gallons	\$3.92	\$3.48	\$3.41
Bulk Service			
6" - Hammock Dunes - BFC			
Gallage Charge per / 1,000 Gallons	\$1.10	\$1.00	\$0.98
Irrigation Service - All Classes			
Base Facility Charge:			
Meter Size:			
5/8" x 3/4"	\$5.75	\$6.29	\$6.16
1"	\$28.71	\$31.44	\$30.80
1-1/2"	\$57.42	\$62.87	\$61.58
2"	\$91.87	\$100.60	\$98.64
3"	\$183.73	\$201.20	\$197.07
4"	\$287.09	\$314.37	\$307.92
6"	\$574.18	\$628.74	\$615.84
Gallage Charge per 1,000 Gallons	\$3.92	\$3.48	\$3.41
Private Fire Protection			
Line Size			
4"	\$95.68	\$26.20	\$25.88
6"	\$191.38	\$52.40	\$51.33
8"	\$308.20	\$83.83	\$82.11
10"	\$440.13	\$120.51	\$118.04
12"	\$622.60	\$225.30	\$220.68
Public Fire Hydrants			
Per Hydrant - Per Year	\$100.00	\$0.00	\$0.00
Typical Residential Bills			
5/8" x 3/4" meter			
3,000 Gallons	\$23.25	\$23.01	\$22.54
5,000 Gallons	\$31.09	\$29.87	\$29.38
10,000 Gallons	\$50.89	\$47.37	\$46.41

Note:
 (1) Flagler County reduced revenue assessment fees from 4.5% to 2.6%. (Column (2) Final Ordered Rates x .965 / .975)

FLORIDA WATER SERVICES
 PALM COAST - DOCKET NO. 951056-WS
 Wastewater Rate Schedule - Interim, Final Ordered, Settlement Rates
 Final Ordered Adjusted for Flagler County RAF Reduction

(1)	(2)	(3)	(4)
WASTEWATER RATE SCHEDULE			
	Current Commission Approved Interim	Commission Approved Final Per Order PSC-97-0388-FOF-WS	Proposed Settlement Rates Final Ordered Rates PSC-97-0388-FOF-WS Adjusted For Flagler County RAF Reduction (1)
Residential			
Base Facility Charge: All Meter Sizes	\$12.75	\$10.55	\$10.33
Gallage Charge per 1,000 Gallons (8,000 gallon cap)	\$3.36	\$2.92	\$2.86
General Service			
Base Facility Charge: Meter Size:			
5/8" x 3/4"	\$12.75	\$10.55	\$10.33
1"	\$31.85	\$28.38	\$25.84
1-1/2"	\$53.68	\$52.76	\$51.68
2"	\$101.88	\$84.42	\$82.89
3"	\$203.77	\$168.54	\$165.08
4"	\$318.40	\$263.82	\$258.41
6"	\$636.79	\$527.64	\$518.82
8"			
Gallage Charge per 1,000 Gallons	\$4.04	\$3.51	\$3.44
Reuse			
Per 1,000 gallons	\$0.00	\$0.07	\$0.07
Typical Residential Bills			
5/8" x 3/4" meter			
3,000 Gallons	\$22.83	\$19.31	\$18.91
5,000 Gallons	\$29.55	\$25.15	\$24.63
10,000 Gallons (Sewer Cap 6,000 Gallons)	\$32.91	\$28.07	\$27.49

Note:

(1) Flagler County reduced revenue assessment fees from 4.5% to 2.5%. (Column (2) Final Ordered Rates x .955 / .975)

**FLORIDA WATER SERVICES
HISTORIC AND PROJECTED INCOME STATEMENT FOR PALM COAST UTILITIES 1998, 1999, 2000**

	(2) Actual 1998 Palm Coast Interim Rates (Palm Coast Ownership)			(6) 1999 Actuals Interim Rates (Florida Water Ownership)			(8) 2000 Budget Proposed Settlement Rates (Eliminate all of the Remand Adjustments - Final Rates)		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
1 Revenues	7,878,000	4,558,800	12,232,000	7,474,132	4,375,551	11,849,683	7,781,815 (448,423)	5,050,980 (757,882)	12,832,875 (1,204,285)
2 Less Settlement Decrease	-	-	-	-	-	-	-	-	-
3 Adjusted Revenues	7,878,000	4,558,800	12,232,000	7,474,132	4,375,551	11,849,683	7,335,402	4,293,098	11,628,590
4 O&M Expenses	4,885,000	2,410,000	7,095,000	3,475,405	2,277,414	5,752,819	3,791,351	2,484,452	6,275,803
5 Depreciation	928,000	644,000	1,573,000	1,273,515	173,351	1,446,866	1,442,722	215,978	1,658,700
6 Taxes Other Than Income	806,000	614,000	1,520,000	626,010	475,413	1,101,425	546,547	480,030	1,026,577
7 Income Taxes	699,000	318,000	1,018,000	690,574	181,877	872,451	498,888	31,969	530,854
8 Operating Expenses	7,219,000	3,987,000	11,206,000	6,065,504	3,108,967	9,173,581	6,278,305	3,192,428	9,471,734
9 Net Income	457,000	569,000	1,026,000	1,408,628	1,267,494	2,676,122	1,056,186	1,100,670	2,156,856
10 Rate Base	10,333,658	15,169,703	25,523,261	8,578,825	21,788,802	28,848,627	5,634,982	23,370,077	29,205,059
11 Rate of Return	4.42%	3.78%	4.02%	20.48%	5.82%	9.34%	18.10%	4.71%	7.39%
12 Allowed Rate of Return	9.61%	9.61%	9.61%	9.61%	9.61%	9.61%	9.61%	9.61%	9.61%
13 Achieved Return on Equity	-8.43%	-1.93%	-1.33%	35.25%	2.88%	10.88%	29.97%	0.21%	6.15%
14 Last Authorized Return on Equity	11.10%	11.10%	11.10%	11.10%	11.10%	11.10%	11.10%	11.10%	11.10%
16 Revenue Deficiency @ 11.10% ROE	(895,202)	(1,487,458)	(2,382,658)	1,248,183	(1,377,878)	(128,898)	827,284	(1,912,434)	(1,085,230)
Calculation of Regulatory Income Tax:				2,099,202	1,448,371	3,548,573	1,554,872	1,132,638	2,687,510
Operating Income BF Income Tax				6,878,625	21,788,802	28,848,627	5,634,982	23,370,077	29,205,059
Interest Expense				4.49%	4.49%	4.49%	4.49%	4.49%	4.49%
Rate Base				306,891	877,882	1,288,873	262,103	1,048,785	1,311,887
Weight Cost of Debt				1,790,211	471,489	2,261,701	1,292,770	82,874	1,375,643
Interest Expense				38.58%	38.58%	38.58%	38.58%	38.58%	38.58%
Taxable Income				690,574	181,877	872,451	498,888	31,969	530,854
Income Tax Rate									
Net Income Tax Expense									

EXHIBIT
D

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
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OF COUNSEL:
CHARLES F. DUDLEY

GOVERNMENTAL CONSULTANTS:
PATRICK R. MALOY
AMY J. YOUNG

May 11, 2000

FEDERAL EXPRESS DELIVERY

Mr. Art Sirkin
Flagler County Utility Regulatory Interim Authority
Board of County Commissioners
2285 E. Moody Boulevard, Suite 209
Bunnell, FL 32110

Re: Notice of Filing Revised Exhibits to Amended Application of Florida Water Services Corporation, successor-in-interest to Palm Coast Utility Corporation, for Conditional Establishment of Water and Wastewater Rates

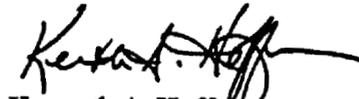
Dear Mr. Sirkin:

Enclosed herewith for filing on behalf of Florida Water Services Corporation are an original and ten copies of a Notice of Filing Revised Exhibits to Amended Application of Florida Water Services Corporation, successor-in-interest to Palm Coast Utility Corporation, for Conditional Establishment of Water and Wastewater Rates.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing.

Sincerely,


Kenneth A. Hoffman

KAH/rl
Enclosures

RUTLEDGE, ECENIA, PURCELL & HOFFMAN

Mr. Art Sirkin
Page 2
May 11, 2000

cc: Diane Kiesling, Esq.
Gary E. Eckstine, Esq.
Matthew J. Feil, Esq.
Mr. Jim Perry
Mr. Forrest Ludsen

**BEFORE THE FLAGLER COUNTY UTILITY
REGULATORY INTERIM AUTHORITY**

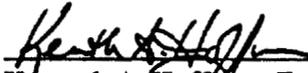
In Re: Application of Florida)
Water Services Corporation, successor)
in interest to Palm Coast Utility)
Corporation, for Conditional)
Establishment of Increased Water)
and Wastewater Rates.)
_____)

Case No. _____

**NOTICE OF FILING REVISED EXHIBITS TO
AMENDED APPLICATION OF FLORIDA WATER SERVICES
CORPORATION, SUCCESSOR IN INTEREST TO PALM
COAST UTILITY CORPORATION, FOR CONDITIONAL
ESTABLISHMENT OF WATER AND WASTEWATER RATES**

Florida Water Services Corporation ("Florida Water"), successor in interest to Palm Coast Utility Corporation ("PCUC"), hereby files the attached Revised Exhibit B and Revised Composite Exhibit C to the Amended Application of Florida Water Services Corporation, successor in interest to Palm Coast Utility Corporation, for Conditional Establishment of Water and Wastewater Rates served on May 9, 2000 ("Amended Application"). The Revised Exhibits reflect the bill-out of rates incorporating the currently existing and effective wastewater gallonage cap of 8,000 gallons per month rather than the wastewater gallonage cap of 6,000 gallons per month which was incorrectly incorporated in the original Exhibit B and Composite Exhibit C attached to Florida Water's Amended Application.

Respectfully submitted,



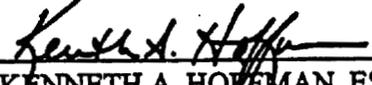
Kenneth A. Hoffman, Esq.
J. Stephen Menton, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, Florida 32302
(850) 681-6788 (Telephone)
(850) 681-6515 (Telecopier)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by hand delivery(*) and U. S. Mail, this 11th day of May, 2000, to:

Diane Kiesling, Esq.(*)
2727 Mahan Drive
Fort Knox Building 3
Tallahassee, FL 32308

Gary E. Eckstine, Esq.
P. O. Box 10092
Jacksonville, Florida 32247-0092


KENNETH A. HOFFMAN, ESQ.

Palmcoast/amendment

REVISED EXHIBIT B

FLORIDA WATER SERVICES
 BILLING COMPARISON
 PALM COAST PERCENTAGE DECREASE TO CURRENT INTERIM RATES AS A RESULT
 OF PROPOSED SETTLEMENT (FINAL ORDERED RATES ADJUSTED FOR RAF DECREASE)

PALM COAST RATE COMPARISON

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
INTERIM RATES			
5/8 X 3/4" Residential Customer: (1)			
Base	\$11.28	\$12.50	
Gallage	\$3.84	\$2.29	
Typical Bill:			
@ 0 Gallons	\$11.28	\$12.50	\$23.78
@ 1,000 Gallons	\$15.10	\$15.79	\$30.89
@ 2,000 Gallons	\$18.84	\$19.08	\$37.92
@ 3,000 Gallons	\$22.78	\$22.37	\$45.15
@ 4,000 Gallons	\$26.82	\$25.66	\$52.48
@ 5,000 Gallons	\$30.48	\$28.95	\$59.43
@ 6,000 Gallons	\$34.30	\$32.24	\$66.54
@ 7,000 Gallons	\$38.14	\$35.53	\$73.67
@ 8,000 Gallons	\$41.98	\$38.82	\$80.80
@ 9,000 Gallons	\$45.82	\$38.82	\$84.64
@ 10,000 Gallons (Sewer Cap 8,000)	\$49.66	\$38.82	\$88.48

SETTLEMENT RATES
(FINAL ORDERED RATES ADJUSTED FOR RAF ADJUSTMENT)

5/8 X 3/4" Residential Customer:			
Base	\$12.31	\$10.33	
Gallage	\$3.41	\$2.86	
Typical Bill:			
@ 0 Gallons	\$12.31	\$10.33	\$22.64
@ 1,000 Gallons	\$16.72	\$13.19	\$29.91
@ 2,000 Gallons	\$18.13	\$16.06	\$34.19
@ 3,000 Gallons	\$22.54	\$18.91	\$41.45
@ 4,000 Gallons	\$25.95	\$21.77	\$47.72
@ 5,000 Gallons	\$29.36	\$24.63	\$53.99
@ 6,000 Gallons	\$32.77	\$27.49	\$60.26
@ 7,000 Gallons	\$36.18	\$30.35	\$66.53
@ 8,000 Gallons	\$39.59	\$33.21	\$72.80
@ 9,000 Gallons	\$43.00	\$33.21	\$76.21
@ 10,000 Gallons (Sewer Cap 8,000)	\$46.41	\$33.21	\$79.62

SETTLEMENT RATE REDUCTION

\$ AMOUNT:			
@ 0 Gallons	\$1.05	(\$2.17)	(\$1.12)
@ 1,000 Gallons	\$0.62	(\$2.60)	(\$1.98)
@ 2,000 Gallons	\$0.19	(\$3.03)	(\$2.84)
@ 3,000 Gallons	(\$0.24)	(\$3.46)	(\$3.70)
@ 4,000 Gallons	(\$0.67)	(\$3.89)	(\$4.56)
@ 5,000 Gallons	(\$1.10)	(\$4.32)	(\$5.42)
@ 6,000 Gallons	(\$1.53)	(\$4.75)	(\$6.28)
@ 7,000 Gallons	(\$1.96)	(\$5.18)	(\$7.14)
@ 8,000 Gallons	(\$2.39)	(\$5.61)	(\$8.00)
@ 9,000 Gallons	(\$2.82)	(\$6.04)	(\$8.86)
@ 10,000 Gallons (Sewer Cap 8,000)	(\$3.25)	(\$6.47)	(\$9.72)
PERCENTAGE:			
@ 0 Gallons	9.33%	-17.36%	-4.71%
@ 1,000 Gallons	4.11%	-16.47%	-6.41%
@ 2,000 Gallons	1.00%	-15.86%	-7.47%
@ 3,000 Gallons	-1.05%	-15.47%	-8.19%
@ 4,000 Gallons	-2.62%	-15.18%	-8.72%
@ 5,000 Gallons	-3.61%	-14.92%	-9.12%
@ 6,000 Gallons	-4.48%	-14.73%	-9.44%
@ 7,000 Gallons	-5.14%	-14.58%	-9.69%
@ 8,000 Gallons	-5.69%	-14.45%	-9.90%
@ 9,000 Gallons	-6.15%	-14.45%	-9.96%
@ 10,000 Gallons (Sewer Cap 8,000)	-6.54%	-14.45%	-10.01%

Notes:

(1) Current rates in effect for Palm Coast. Interim rates were adjusted for a reduction in revenue assessment fees by Flagler County (4.5% to 2.5%).

REVISED COMPOSITE EXHIBIT C

PAGE 1 OF 2

FLORIDA WATER SERVICES
 PALM COAST - DOCKET NO. 951056-WS
 Water Rate Schedule - Interim, Final Ordered, Settlement Rates
 Final Ordered Adjusted for Flagler County RAF Reduction

	(1)	(2)	(3)	(4)
WATER RATE SCHEDULE				
	Current Commission Approved Interim	Commission Approved Final Per Order PSC-97-0388-FOF-WS	Proposed Settlement Rates Final Ordered Rates PSC-97-0388-FOF-WS Adjusted For Flagler County RAF Reduction (1)	
Residential, General Service and Multi-Family				
Base Facility Charge:				
Meter Size:				
5/8" x 3/4"	\$11.49	\$12.57	\$12.31	
1"	\$28.71	\$31.44	\$30.80	
1-1/2"	\$57.42	\$62.87	\$61.58	
2"	\$91.87	\$100.60	\$98.64	
3"	\$183.73	\$201.20	\$197.07	
4"	\$287.09	\$314.37	\$307.82	
5"	\$574.18	\$628.74	\$615.84	
Gallage Charge per 1,000 Gallons	\$3.82	\$3.48	\$3.41	
Bulk Service				
6" - Hammock Dunes - BFC	\$213.38	\$194.79	\$190.79	
Gallage Charge per / 1,000 Gallons	\$1.10	\$1.00	\$0.98	
Irrigation Service - All Classes				
Base Facility Charge:				
Meter Size:				
5/8" x 3/4"	\$5.73	\$8.29	\$8.18	
1"	\$28.71	\$31.44	\$30.80	
1-1/2"	\$57.42	\$62.87	\$61.58	
2"	\$91.87	\$100.60	\$98.64	
3"	\$183.73	\$201.20	\$197.07	
4"	\$287.09	\$314.37	\$307.92	
5"	\$574.18	\$628.74	\$615.84	
Gallage Charge per 1,000 Gallons	\$3.82	\$3.48	\$3.41	
Private Fire Protection				
Line Size				
4"	\$95.88	\$26.20	\$25.88	
6"	\$191.38	\$52.40	\$51.33	
8"	\$306.20	\$83.83	\$82.11	
10"	\$440.13	\$120.51	\$118.04	
12"	\$572.80	\$225.30	\$220.88	
Public Fire Hydrants				
Per Hydrant - Per Year	\$100.00	\$0.00	\$0.00	
Typical Residential Bills				
5/8" x 3/4" meter				
3,000 Gallons	\$23.25	\$23.01	\$22.54	
5,000 Gallons	\$31.00	\$28.97	\$28.38	
10,000 Gallons	\$50.69	\$47.37	\$46.41	

Note:
 (1) Flagler County reduced revenue assessment fees from 4.5% to 2.5%. (Column (2) Final Ordered Rates x .955 / .975)

FLORIDA WATER SERVICES
PALM COAST - DOCKET NO. 951056-WS
Wastewater Rate Schedule - Interim, Final Ordered, Settlement Rates
Final Ordered Adjusted for Flagler County RAF Reduction

	(1)	(2)	(3)	(4)
WASTEWATER RATE SCHEDULE				
	Current Commission Approved Interim	Commission Approved Final Per Order PSC-97-0388-FOF-WS	Proposed Settlement Rates Final Ordered Rates PSC-97-0388-FOF-WS Adjusted For Flagler County RAF Reduction (1)	
Residential				
Base Facility Charge: All Meter Sizes	\$12.75	\$10.55	\$10.33	
Gallage Charge per 1,000 Gallons (8,000 gallon cap)	\$3.36	\$2.92	\$2.86	
General Service				
Base Facility Charge: Meter Size:				
5/8" x 3/4"	\$12.75	\$10.55	\$10.33	
1"	\$31.85	\$26.38	\$25.84	
1-1/2"	\$63.68	\$52.76	\$51.68	
2"	\$101.88	\$84.42	\$82.69	
3"	\$203.77	\$168.54	\$165.08	
4"	\$318.40	\$263.82	\$258.41	
6"	\$636.79	\$527.64	\$516.82	
8"				
Gallage Charge per 1,000 Gallons	\$4.04	\$3.51	\$3.44	
Reuse				
Per 1,000 gallons	\$0.00	\$0.07	\$0.07	
Typical Residential Bills				
<u>5/8" x 3/4" meter</u>				
3,000 Gallons	\$22.83	\$19.31	\$18.91	
5,000 Gallons	\$29.55	\$25.15	\$24.63	
10,000 Gallons (Sewer Cap 8,000 Gallons)	\$39.63	\$33.91	\$33.21	

Note:
 (1) Flagler County reduced revenue assessment fees from 4.5% to 2.5%. (Column (2) Final Ordered Rates x .955 / .975)

Inst No:0001607P Date:07/10/2000
SYD CROSBY, FLA IR County
By: J. Rose D.C. Time:11:50:43

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**BEFORE THE FLAGLER COUNTY UTILITY REGULATORY
INTERIM AUTHORITY**

In re: Amended Application of Florida
Water Services Corporation for Conditional
Establishment of Water and Wastewater Rates

Docket No. 00-01
ORDER NO. FCURIA-00-01
ISSUED: July 10, 2000

This cause came on for consideration on the Recommendation in Docket No. 00-01 by the Flagler County Utility Regulatory Interim Authority, on July 10, 2000. The following Commissioners participated in the disposition of this matter:

JAMES DARBY, Chairman
George Hanns
John Seay
Hutch King
Blair Kanbar

**ORDER APPROVING CONDITIONAL RATES AND TERMS AND
CONDITIONS OF SERVICE**

BY THE FLAGLER COUNTY UTILITY REGULATORY INTERIM AUTHORITY

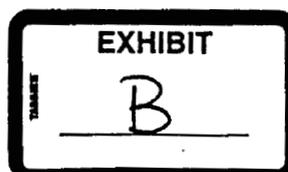
BACKGROUND

On August 5, 1996, the Flagler County Board of County Commissioners ("BOCC") adopted Resolution No. 96-62 reinstating its regulatory authority over investor-owned water and wastewater systems in Flagler County, and rescinding Florida Public Service Commission (FPSC) jurisdiction. The BOCC subsequently with the adoption of Ordinance Nos. 96-17 and 97-08 on December 20, 1996 on April 23, 1997 respectively, provided for both interim standards and an extension of duration together with inclusion of the County Code. The FPSC acknowledged recession of its jurisdiction, and established procedures for cancellation of certificates in Flagler County on November 20, 1996 in Docket No. 960898-WS, Order No. PSC-96-1391-FOF-WS. The BOCC acts as the Flagler County Utility Interim Regulatory Authority ("FCURIA") in matters pertaining to utility regulation.

Applicant

Florida Water Services ("FWS") purchased the assets of Palm Coast Utility Corporation ("PCUC") by agreement dated May 11, 1998. The transfer of PCUC's water and wastewater certificates to FWS was approved by FCURIA on January 12, 1999.

FWS is headquartered in Apopka, Florida. FWS was originally incorporated as Southern States Utilities in November 1961. Effective January 1997, the company's name was changed to Florida Water Services. FWS is a Class A utility with more than 100 separate water and wastewater utility operations in Florida with \$449,694,700 in total assets as of



December 31, 1999, from which it realized \$18,983,140 in net income on revenues of \$87,574,199 in Fiscal Year 1999.

FWS's Palm Coast System provided water and wastewater service to 14,587 water customers and 13,058 wastewater customers in 1999 in Palm Coast, Florida, and part of Flagler County. Water facilities include two treatment plants with a combined permitted capacity of 8.0 million gallons per day (MGD). The wastewater treatment plant has a permitted capacity of 4.0 MGD and an effluent disposal capacity of 3.53 MGD. The Palm Coast System realized net income of \$1,706,033 on water revenues of \$7,802,801 and net income of \$1,763,868 on wastewater revenues of \$4,487,698 for Fiscal Year 1999.

Rate Case

Prior to the purchase of assets by and transfer of certificates to FWS, PCUC filed an application for increased water and wastewater rates with the FPSC on December 27, 1995, pursuant to Sections 367.081 and 367.032, F.S. The rate application was filed with the FPSC prior to the BOCC rescinding jurisdiction. Therefore, in accordance with Section 367.171(5), F.S., the rate case remains at the FPSC until disposed of.

PCUC's application was assigned Docket No. 951056-WS. Interim rates were approved by the FPSC by Order No. PSC-96-0493-FOF-WS ("Interim Order") issued on April 9, 1996. The interim rates were designed to generate \$5,491,391 in annual water revenues and \$3,432,636 in annual wastewater revenues, subject to refund with interest.

The FPSC issued Order No. PSC-96-1338-FOF-WS ("Final Order") on November 7, 1996, establishing final rates for PCUC. PCUC subsequently filed a Motion for Reconsideration and a Request for Oral Argument and an additional Request for Oral Argument and Amended Motion for Reconsideration on November 22, 1996, and January 24, 1997, respectively. On February 26, 1997, PCUC filed a second Amended Motion for Reconsideration. The Office of Public Counsel filed timely responses to the above referenced actions.

By Order No. PSC-97-0388-FOF-WS ("Reconsideration Order") issued on April 7, 1997, the FPSC granted in part and denied in part PCUC's Motion for Reconsideration, denied PCUC's Amended and Second Motions for Reconsideration and denied the requests for oral argument. As a result, PCUC was ordered to refund a percentage of the interim water & wastewater revenues and lower certain water rates and all wastewater rates.

PCUC filed a Motion for Stay of Order Nos. PSC-96-1338-FOF-WS and PSC-97-0388-FOF-WS Pending Judicial Review on April 11, 1997. The FPSC granted PCUC's Motion for Stay (Order No. PSC-97-0655-FOF-SU) on June 9, 1997.

PCUC officially appealed the Final Order to the First District Court of Appeal ("DCA") on August 12, 1997. The DCA issued its opinion on May 10, 1999 in Palm Coast Utility Corporation v. FPSC, 24 Fla. L. Weekly D1182a (Fla. 1st DCA, May 10, 1999).

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The DCA reversed and remanded the following issues:

1. use of a lot count methodology to determine the level of used and useful water distribution and transmission and wastewater collection lines to be included in rate base;
2. exclusion of fire flow allowance;
3. use of average annual daily flows to determine the level of used and useful wastewater treatment plant to be included in rate base;
4. use of eighteen month margin reserve to determine the level of used and useful wastewater plant to be included in rate base; and
5. imputation of contributions-in-aid-of-construction on the margin reserve based on proposed rather than actual service availability charges.

The FPSC filed a Motion for Clarification on May 25, 1999, to determine whether further evidentiary proceedings were permissible on remand. The DCA responded with a corrected opinion in Palm Coast Utility Corporation v. FPSC, 24 Fla. L. Weekly D2269 (Fla. 1st DCA, Sept. 28, 1999). The corrected opinion authorizes further proceedings, including the introduction of additional evidence only on the issues concerning lot count methodology, fire flow allowance, and annual average daily flow. Palm Coast Utility Corporation v. FPSC, 24 Fla. L. Weekly D2269 (Fla. 1st DCA, Sept. 28, 1999).

Schedule 1 summarizes the remand issues and describes the positions of the key parties. Schedules 2A and 2B indicate the estimated impact of each remand issue on the water and wastewater revenue requirements, respectively.

APPLICATION

FWS submitted a Conditional Application for the Establishment of Water and Wastewater Rates (Original Application) to FCURIA on December 17, 1999. Subsequent to inquiries by staff and meetings with FWS, the original Application was abandoned. On April 25, 2000, staff received a summary description from FWS of the rates and conditions that were to be in the amended application. On May 9, 2000, FWS filed its Amended Application of Florida Water Services Corporation, Successor in Interest to Palm Coast Utility Corporation, for Conditional Establishment of Water and Wastewater Rates ("Amended Application"). On May 11, 2000, FWS submitted revised schedules to the Amended Application.

The Amended Application proposes the same rates as approved by the Florida Public Service Commission in the Reconsideration Order (Order No. PSC-97-0388-FOF-WS), adjusted for the reduction in the Regulatory Assessment Fee (RAF). FWS does not seek adjustments to revenue requirements related to any remand issues, including those

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already granted by the DCA. It should be noted that the Original and Amended Applications seek to reach a settlement on the rates only and do not establish the rate of return and rate base.

In addition to setting rates, Section 17, (a) through (i), of the Amended Application, seeks to establish a number of conditions. The conditions are summarized as follows:

1. Three (3) year rate case stay-out by FWS with an allowance for indexing and pass-through adjustments.
2. FWS will not seek to recover rate case expense incurred since the adoption of the Final Order.
3. No reduction in future rates as a result of rate case expense amortization.
4. No refunds or surcharges.
5. Amended Application does not set precedent or policy for FPSC or FCURIA and shall not be revisited or reconsidered by the FPSC, FCURIA or BOCC.
6. Fire Hydrant Charges paid by the County will be eliminated.
7. FCURIA will support FWS at the FPSC to reach a settlement and closure of Docket No. 951056-WS.
8. Settlement Rates would be implemented within 60 days after the approval of the settlement by the FPSC.
9. Amended Application is not severable, divisible or subject to modification.

It should be noted that conditions similar to #1, #2, #4, #5, and #9 were accepted by the FPSC in a previous settlement with Southern States Utilities (SSU). In addition, in that case, the FPSC accepted an adjustment to SSU's revenue requirements, and thus their rates, in an amount equivalent to 50 percent of the remand issues.

In addition to the conditions summarized above, in support of the proposed rates and conditions, FWS offered a contribution of \$150,000 over three years at \$50,000 per year to the Flagler County School Board for the express purpose and only the express purpose of improving and augmenting the emergency electric service at the County Emergency Shelters. The first payment of the donation would correspond with the implementation of revised rates, referenced in Condition #8.

FINDINGS

Rates

As indicated above, the Amended Application proposes the same rates as approved by the FPSC in the Reconsideration Order, adjusted for the reduction in the Regulatory Assessment Fee (RAF). The RAF reduction accounts for the decrease from 4 ½ percent at the FPSC to 2 ½ percent currently levied by FCURIA. These rates represent the FPSC's final rates prior to FWS's appeal of the Final Order to the DCA.

Schedules 3A, and 3B indicate that the rates resulting from the Amended Application are more favorable to the customer than those resulting from the Original application. The typical bills for water and/or wastewater customers at various usage levels are reflected in Schedule 3C. The schedule indicates that a residential customer, using 10,000 gallons of water a month, will experience a decrease in their monthly water and wastewater bill of approximately ten (10%) percent compared to the interim rates currently in place. This compares to a 4.4% decrease associated with the Original Application.

FCURIA adopts the rates as proposed.

Condition #1

Condition #1 requires FWS to refrain from filing a rate case for a three (3) year period ("stay-out") and allows for indexing and pass-through adjustments during that period. The stay-out provision does not preclude FCURIA from initiating investigations during that period. Indexing and pass-through adjustments are not currently authorized by FCURIA. Therefore, FWS has acknowledged that it would be eligible to apply for indexing and pass-through adjustments only in the event that they are authorized by FCURIA. Specifically, in the event that Flagler County adopts an ordinance authorizing increases in rates pursuant to a price index adjustment for operations and maintenance expenses and/or a pass-through of expenses similar to those identified in Section 367.081(4), Florida Statutes, then FWS will not be prohibited from seeking to adjust its rates during the three year stay-out period pursuant to a price index or pass-through adjustment. It should be noted that if FCURIA's rules were modified at some point in the future to allow for indexing and pass-through adjustments in a manner similar to that contained in Sections 25-30.420 and 25-430.425, *Florida Administrative Code*, the rate adjustments would not be automatic. The implementation of indexing and pass-through adjustments would be subject to review by FCURIA and could be denied with good cause or approved subject to refund.

FCURIA accepts Condition #1 with clarification that application for indexing and pass-through adjustments would only be authorized in the event that FCURIA's rules are modified to allow for them.

Condition #2

This condition relates to rate case expense associated with reconsideration, appeals, and remand proceedings in FPSC Docket No. 951056-WS. Condition #2 requires that the rate case expense not be deferred or requested in the next general rate application before

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REL)
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FCURIA. The amount of rate case expense that FWS would forgo is approximately \$200,000. There is no apparent downside to acceptance of FWS's offer to forgo the recovery of remand and appeal rate case expense. However, Condition #2 must be amended to state that, in the event that the BOCC returns jurisdiction to the FPSC prior to FWS filing a general rate case application, FWS will not seek to recover the above-referenced rate case expense in the next general rate case application before FPSC.

FCURIA accepts Condition #2 with the clarification that in the event that jurisdiction is returned to the FPSC prior to FWS filing a rate case with FCURIA, FWS would not seek recovery of rate case expense relating to reconsideration, appeals, and remand proceedings in FPSC Docket No. 951056-WS in the next general rate application before the FPSC.

Condition #3

Condition #3 seeks to avoid the typical reduction in rates at the end of four (4) years to reflect the full recovery of rate case expense. The Reconsideration Order allows for the recovery of \$390,985 in rate case expense. Although, it may appear that the acceptance of this provision is a significant concession on the part of FCURIA, the reality is that it is highly probable that a rate case will be initiated before the end of the four (4) year period. In the event that a rate case is initiated, any potential reduction in rates as a result of rate case amortization would be irrelevant.

FCURIA accepts Condition #3.

Condition #4

Condition #4 seeks to eliminate potential refunds arising out of Docket No. 951056-WS pending on remand before the FPSC. The revenue held subject to refund is currently approximately \$2 million. In evaluating Condition #4, FCURIA has compared its effect on the customer to those effects associated with FWS continuing to pursue the remand issues at the FPSC and DCA. This comparison is shown in Schedules 4 and 5.

Schedule 4, line 3 represents the difference in revenue requirements as set by the Interim Order and the Final Order. The difference in revenue requirements can cause either a refund or surcharge to the customer. If the revenue requirements are lower in the Final Order than the Interim Order, the customer may receive a refund. Conversely, if the revenue requirements are higher in the Final Order than the Interim Order, the customer may have to pay a surcharge. In this case the Final Ordered revenue requirements are lower and therefore a refund was ordered by the FPSC.

Lines 4, 6, and 8 of Schedule 4 demonstrates potential increases in the Final Ordered revenue requirements as a result of the remand adjustments. As line 6 indicates, if FWS prevails on fifty (50%) percent of the remand issues, the Final Ordered revenue requirements would increase by \$372,691. This increase would negate the difference between the Interim and Final revenue requirements and eliminate the refund (see line 7).

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Schedule 5 considers the impact on the refund as a result of the potential remand adjustments, as well as other factors such as increased rate case expense, extended payment of interim rates and conditions of the Amended Application. Column A, reflects the terms of the Amended application, which includes the elimination of potential refunds and the additional payments made by customers to FWS as a result of the Interim rates since May 1996, approximately \$2,000,000. Under the Amended Application, the \$2,000,000 is partially offset by the forgone rate case expense discussed in Condition #3, estimated at \$200,000, and the \$150,000 contribution to emergency shelter improvements. The estimated net impact to the customers as a result of the Amended Application is \$1,650,000.

Schedule 5, columns B through D, demonstrate the estimated impact to the customers as a result of FWS pursuing the remand issues at the FPSC and DCA. The columns indicate varying success rates of the FPSC, expressed in terms of percentages, in defending the remand issues with zero (0%) percent representing the FPSC's defeat on all remand issues.

Column D shows the net impact of FPSC successfully defending fifty (50%) of the remand issues. If the FPSC was successful in defending fifty (50%) percent of the remand issues, the refund would be eliminated as demonstrated in Schedule 4, above. Fifty (50%) percent of the remand issues would raise FWS's revenue requirements to a point equal to the interim rate revenue requirements and negate any potential refund. This would cause the interim rates to equal the final rates. The net impact to the customer associated with fifty (50%) percent success by the FPSC is estimated at \$4,494,664. In the event that the FPSC were to defend less than fifty (50%) percent of the remand issues, a potential surcharge could be implemented (not calculated here).

Schedule 5, column B, represents the highest success rate that the FPSC could achieve. As indicated previously, the DCA will only allow additional testimony on three (3) of the five (5) remand issues. The two issues that have been decided comprise approximately fifteen (15%) of the potential increase in revenue requirement (see Schedules 2A and 2B). This assumes that the period approved for determination of used and useful as it relates to margin reserve is set at five (5) years. Therefore, the highest percentage of the remand issues that the FPSC could prevail on is eighty-five (85%) percent. At eighty-five (85%) percent, the estimated net negative impact to the customer is \$1,732,967. Therefore, based on the assumptions described herein, if the FPSC prevailed on all of the remand issues under their control, the result would still be less favorable than the terms and conditions contained in the Amended Application.

By way of comparison, the settlement of the SSU case that was approved by the FPSC, allowed recovery of 50% of those remand issues. Here the revenue requirements and rates that FWS has proposed to accept on a going forward basis allow no recovery of any remand issues.

For all the foregoing reasons, FCURIA accepts Condition #4.

Condition #5

This condition states that the resolution of revenue requirements and rate issues as proposed in the Amended Application does not establish a precedent or policy for the FPSC, FCURIA or BOCC. Further, it requires that the revenue requirements and rate issues associated with the Amended Application will not be revisited or reconsidered by the FPSC, FCURIA, or the BOCC. This language is fairly standard and is found in many settlements of this type. However, it should be made clear that FCURIA and the BOCC cannot bind the FPSC and therefore the actions of FCURIA and BOCC will only bind themselves. The FPSC would have to accept the terms of the Amended Application for it to bind the FPSC.

FCURIA accepts Condition #5.

Condition #6

Condition #6 states that "[f]ire hydrant charges currently being paid to Florida Water by Flagler County will be eliminated with the implementation of rates proposed herein." This condition removes the separate charge for fire hydrants and builds the recovery of those costs into the user rates of the utility. The removal of the fee is reflected in the Final and Reconsideration Orders. In Fiscal Year 1999, Flagler County paid \$155,909 in hydrant fees to FWS. Flagler County has \$163,709 budgeted for this purpose in Fiscal Year 2000.

FCURIA accepts Condition #6

Condition #7

This condition requires FCURIA to support FWS in securing approval of a Joint Offer of Settlement and Proposal for Disposition on Remand ("Joint Offer") reflecting the rates, terms, and conditions in the Amended Application.

FCURIA accepts Condition #7.

Condition #8

This condition requires FWS to implement the rates proposed in the Amended Application within sixty (60) days after the FPSC approves the Joint Offer.

FCURIA accepts Condition #8.

Condition #9

Condition #9 states that the Amended Application is not severable, divisible or subject to modification and will be withdrawn in the event that FCURIA does not approve the Amended Application or the FPSC does not approve the Joint Offer. The offer of a contribution for improving and augmenting the emergency electric service at the County Emergency Shelters should be construed to be part of the Amended Application.

FCURIA accepts Condition #9.

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CONCLUSIONS

FCURIA has jurisdiction to consider the Amended Application. The proceeding before FCURIA has been properly noticed. Having considered the evidence before it and the recommendations of staff, FCURIA concludes that the rates and conditions set forth above are just, reasonable, compensatory, and not unfairly discriminatory. The rates proposed in the Amended Application, together with the Conditions contained therein, as further clarified herein represent a reasonable resolution to the Amended Application, and represent just, reasonable and compensatory rates on a going forward basis.

ACCORDINGLY, IT IS:

ORDERED that the Amended Application of Florida Water Services Corporation, Successor in Interest to Palm Coast Utility Corporation, for Conditional Establishment of Water and Wastewater Rates is **GRANTED** as set forth above. It is further

ORDERED that the Flagler County Utility Regulatory Interim Authority will support the Joint Offer before the Public Service Commission and will seek the approval and support of the Flagler County Board of County Commissioners in carrying out the conditions herein. It is further

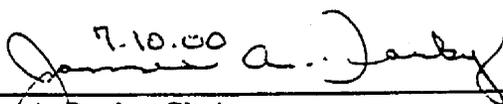
ORDERED that the rates and conditions discussed herein shall be instituted and adopted in accordance with this Order upon approval of the FPSC of the Joint Offer. It is further

ORDERED that the Flagler County Utility Regulatory Interim Authority retains jurisdiction over this matter until all terms and conditions of this Order are satisfied. It is further

ORDERED that the Flagler County Utility Regulatory Interim Authority delegates to staff the authority to approve tariff amendments that effectuate the terms of this Order upon the acceptance of the Joint Offer by the FPSC, and to close this docket after all necessary tariff amendments have been made.

By order of the Flagler County Utility Regulatory Interim Authority this 10th day of July, 2000.

**FLAGLER COUNTY UTILITY
REGULATORY INTERIM AUTHORITY**

7-10-00


James A. Darby, Chairman

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FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES SUMMARY OF ISSUES AND ACTIONS TEST YEAR ENDED 12/31/95			SCHEDULE NO. 1 DOCKET NO. 00-01
ISSUE	ORDER NO. PSC 97-0311 FOR	11 DCA OPINION	FPSC STAFF REMAND RECOMMENDATION
1. Calculation of Used & Useful Percentages (lot count methodology)	Utilized Lot Count Methodology in determining portion of PCUC's water transmission and distribution system and wastewater gravity mains that are used and useful.	Use of lot count methodology is departure from previous policy of using ratio of ERCs to lots. Reversed and remanded for additional evidence and testimony to support change of methodology.	Reopen record for purpose of taking evidence to support lot count methodology.
2. Fire Flow Allowance	Denied fire flow allowance for wells.	Denial of fire flow allowance was a departure from previous treatment of PCUC. Reversed and remanded for further proceedings.	Reopen record for purpose of taking evidence to support denial of fire allowance.
3. Annual Average Daily Flow (AADF)	Utilized AADF instead of Maximum 3 Month Demand (M3MD) in numerator of the used and useful equation.	Use of AADF is departure from previous practice of using M3MD and is inconsistent with stated FPSC policy. Reversed and remanded for further proceedings.	Reopen record for purpose of taking evidence to support AADF.
4. Margin Reserve (MR)	Utilized 18 month MR for wastewater treatment facility.	Testimony supported 3 or 5 years. FPSC should use testimony in the record (no further testimony allowed) to determine whether to utilize 3 or 5 years.	No discussion of issue by FPSC. Utilize 3 year MR.
5. Imputation of CIAC on MR	Utilized proposed service availability charges to impute CIAC against MR.	Correct imputation of CIAC on MR to utilize approved service availability charges.	Correct imputation of CIAC on MR to utilize approved service availability charges.

¹Palm Coast Utility Corporation v. FPSC, 24 Fla. L. Weekly D1182a (Fla. 1st DCA, May 10, 1999)

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FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES										
STATEMENT OF WATER OPERATIONS - POTENTIAL REMAND ADJUSTMENTS										
TEST YEAR ENDED 12/31/95										
SCHEDULE NO. 2-A										
DOCKET NO. 00-01										
COMPONENT	OPERATING REVENUES	OPERATING EXPENSES	DEPRECIATION	AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES	TOTAL OPERATING EXPENSES	OPERATING INCOME	REMANDED REVENUE REQUIRED	TOTAL REMAND
1	\$5,373,161	\$2,760,188	817,310	(82,781)	525,999	265,812	4,286,532	\$1,086,629	\$2,686,529	\$2,686,529
2	\$0	\$0	43,612	0	20,300	32,694	96,606	\$130,475	\$0	\$130,475
3	\$0	\$0	22,137	0	5,166	6,522	23,830	\$26,314	\$0	\$26,314
4	\$0	\$0	(122)	0	330	1,518	1,726	\$5,605	\$0	\$5,605
5	\$0	\$0	0	0	(106)	(338)	(444)	(\$1,910)	\$0	(\$1,910)
6	\$0	\$0	0	0	115	497	612	\$1,943	\$0	\$1,943
7	\$0	\$0	65,627	0	25,805	40,828	132,330	\$162,447	\$0	\$162,447
8	\$5,667,938	\$2,760,188	882,937	(82,781)	551,804	306,715	4,418,862	\$1,249,075	\$2,686,529	\$2,686,529

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FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES STATEMENT OF WASTEWATER OPERATIONS - POTENTIAL REMAND ADJUSTMENTS TEST YEAR ENDED 12/31/95						SCHEDULE NO. 2-B DOCKET NO. 00-01		
COMPONENT	FPSO INVALID ORDERED	ARG ADJUST	FIRE FLOW	MAXIMUM 3 MONTH DEMAND	60 MONTH MARGIN RESERVE	CIAG INPUT SAC	TOTAL REMAND ADJUST	REMAND REVENUE REQUIRED
1 OPERATING REVENUES	\$3,186,512	\$232,278	\$1,474	\$107,152	\$100,225	\$9,475	\$450,604	\$3,637,116
OPERATING EXPENSES								
2 OPERATION AND MAINTENANCE	\$1,914,621	\$0	\$0	\$0	\$0	\$0	\$0	\$1,914,621
3 DEPRECIATION	439,807	51,530	0	32,874	35,697	2,740	122,841	562,648
4 AMORTIZATION	(57,525)	0	0	0	0	0	0	(57,525)
5 TAXES OTHER THAN INCOME	317,713	19,057	66	7,983	8,657	426	36,189	353,902
6 INCOME TAXES	112,403	32,082	306	13,097	11,030	1,248	57,763	170,166
7 TOTAL OPERATING EXPENSES	2,727,019	102,669	372	53,954	55,384	4,414	216,793	2,943,812
8 OPERATING INCOME	\$459,493	\$129,609	\$1,102	\$53,198	\$44,841	\$5,061	\$233,811	\$693,304

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FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES WATER - COMPARISON OF RATES TEST YEAR ENDED 12/31/95						SCHEDULE NO. 3-A DOCKET NO. 00-01			
COMPONENT	PGUC		FPSC		FWS		%	%	
	Original Rates	Interim Rates	Original Rates	Interim Rates	Initial Settlement	Revised Settlement			Change Initial to Revised
	RAF 1 1/2	RAF 2 1/2	RAF 1 1/2	RAF 2 1/2	RAF 2 1/2	RAF 2 1/2	Revised	Revised	
Residential, General Service and Multi-Family									
Base Facility Charge:									
Meter Size:									
5/8" x 3/4"	\$ 10.55	\$ 11.25	\$ 12.31	\$ 12.85	\$ 12.31	\$ 12.31	-2.69%	9.42%	
1"	\$ 26.34	\$ 28.12	\$ 30.80	\$ 31.65	\$ 30.80	\$ 30.80	-2.69%	9.53%	
1-1/2"	\$ 52.69	\$ 56.24	\$ 61.58	\$ 63.28	\$ 61.58	\$ 61.58	-2.69%	9.50%	
2"	\$ 84.29	\$ 89.99	\$ 98.54	\$ 101.26	\$ 98.54	\$ 98.54	-2.69%	9.50%	
3"	\$ 168.88	\$ 179.98	\$ 197.07	\$ 202.52	\$ 197.07	\$ 197.07	-2.69%	9.51%	
4"	\$ 263.41	\$ 281.20	\$ 307.92	\$ 316.44	\$ 307.92	\$ 307.92	-2.69%	9.50%	
6"	\$ 526.81	\$ 562.38	\$ 615.84	\$ 632.87	\$ 615.84	\$ 615.84	-2.69%	9.51%	
Gallage Charge per 1,000 Gallons	\$ 3.80	\$ 3.84	\$ 3.41	\$ 3.50	\$ 3.41	\$ 3.41	-2.57%	-11.20%	
Bulk Service									
6" - Hammock Dunes - BFC	\$ 195.79	\$ 209.01	\$ 190.79	\$ 196.07	\$ 190.79	\$ 190.79	-2.69%	-8.72%	
Gallage Charge per / 1,000 Gallons	\$ 1.01	\$ 1.08	\$ 0.98	\$ 1.01	\$ 0.98	\$ 0.98	-2.97%	-9.26%	
Irrigation Service - All Classes									
Base Facility Charge:									
Meter Size:									
5/8" x 3/4"	\$ 5.27	\$ 5.63	\$ 6.16	\$ 6.33	\$ 6.16	\$ 6.16	-2.69%	9.41%	
1"	\$ 26.34	\$ 28.12	\$ 30.80	\$ 31.65	\$ 30.80	\$ 30.80	-2.69%	9.53%	
1-1/2"	\$ 52.69	\$ 56.24	\$ 61.58	\$ 63.28	\$ 61.58	\$ 61.58	-2.69%	9.50%	
2"	\$ 84.29	\$ 89.99	\$ 98.54	\$ 101.26	\$ 98.54	\$ 98.54	-2.69%	9.50%	
3"	\$ 168.58	\$ 179.98	\$ 197.07	\$ 202.52	\$ 197.07	\$ 197.07	-2.69%	9.51%	
4"	\$ 263.41	\$ 281.20	\$ 307.92	\$ 316.44	\$ 307.92	\$ 307.92	-2.69%	9.50%	
6"	\$ 526.81	\$ 562.38	\$ 615.84	\$ 632.87	\$ 615.84	\$ 615.84	-2.69%	9.51%	
Gallage Charge per 1,000 Gallons	\$ 3.80	\$ 3.84	\$ 3.41	\$ 3.50	\$ 3.41	\$ 3.41	-2.57%	-11.20%	
Private Fire Protection									
Line Size									
4"	\$ 87.89	\$ 93.72	\$ 25.68	\$ 26.37	\$ 25.68	\$ 25.68	-2.69%	-72.62%	
6"	\$ 175.80	\$ 187.45	\$ 51.33	\$ 52.74	\$ 51.33	\$ 51.33	-2.67%	-72.62%	
8"	\$ 280.95	\$ 299.92	\$ 82.11	\$ 84.38	\$ 82.11	\$ 82.11	-2.69%	-72.62%	
10"	\$ 403.83	\$ 431.10	\$ 118.04	\$ 121.30	\$ 118.04	\$ 118.04	-2.69%	-72.62%	
12"	\$ 754.94	\$ 805.92	\$ 220.68	\$ 226.78	\$ 220.68	\$ 220.68	-2.69%	-72.62%	
Public Fire Hydrants									
Per Hydrant - Per Year	\$ 100.00	\$ 97.95	\$ -	\$ -	\$ -	\$ -	0.00%	-100.00%	

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FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES						SCHEDULE NO. 3-B DOCKET NO. 00-01			
WASTEWATER - COMPARISON OF RATES TEST YEAR ENDED 12/31/95									
COMPONENT	PCUC	FPSO	FPSO	FWS	FWS	%	%		
	Original Rates RAF 4 1/2	Interim Rates RAF 2 1/2	Final Rates RAF 2 1/2	Initial Settlement RAF 2 1/2	Revised Settlement RAF 2 1/2	Change Initial to Revised	Change Interim to Revised		
Residential									
Base Facility Charge: All Meter Sizes	\$ 11.10	\$ 12.49	\$ 10.33	\$ 11.08	\$ 10.33	-8.77%	-17.29%		
Gallonge Charge per 1,000 Gallons (8,000 gallon cap)	\$ 3.61	\$ 3.29	\$ 2.86	\$ 3.07	\$ 2.86	-6.84%	-13.07%		
General Service									
Base Facility Charge: Meter Size:									
5/8" x 3/4"	\$ 11.10	\$ 12.49	\$ 10.33	\$ 11.08	\$ 10.33	-8.77%	-17.29%		
1"	\$ 27.72	\$ 31.20	\$ 25.84	\$ 27.70	\$ 25.84	-8.71%	-17.18%		
1-1/2"	\$ 55.44	\$ 62.37	\$ 51.68	\$ 55.40	\$ 51.68	-8.71%	-17.14%		
2"	\$ 88.69	\$ 99.79	\$ 82.69	\$ 88.65	\$ 82.69	-8.72%	-17.14%		
3"	\$ 177.39	\$ 199.69	\$ 165.08	\$ 176.98	\$ 165.08	-8.72%	-17.29%		
4"	\$ 277.16	\$ 311.87	\$ 258.41	\$ 277.02	\$ 258.41	-8.72%	-17.14%		
6"	\$ 554.35	\$ 623.73	\$ 516.82	\$ 554.05	\$ 516.82	-8.72%	-17.14%		
8"									
Gallonge Charge per 1,000 Gallons	\$ 3.52	\$ 3.98	\$ 3.44	\$ 3.69	\$ 3.44	-6.78%	-13.13%		
Reuse									
Per 1,000 gallons	\$ -	\$ -	\$ 0.07	\$ 0.07	\$ 0.07	0.00%	100.00%		

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FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES WATER & WASTEWATER - TYPICAL BILL COMPARISON TEST YEAR ENDED 12/31/95						SCHEDULE NO. J-C DOCKET NO. 00-01			
COMPONENT	FCUC	FPSC	FPSC	FWS	FWS	Change Initial to Revised	Change Interim to Revised		
	Original Rate	Interim Rate	Final Rate	Initial Settlement	Revised Settlement				
	RAF 4 1/2	RAF 2 1/2	RAF 2 1/2	RAF 2 1/2	RAF 2 1/2				
Water									
5/8" x 3/4" meter									
3,000 Gallons	\$ 21.35	\$ 22.77	\$ 22.54	\$ 23.15	\$ 22.54	-2.63%	-1.01%		
5,000 Gallons	\$ 28.55	\$ 30.45	\$ 29.36	\$ 30.15	\$ 29.36	-2.62%	-3.58%		
10,000 Gallons	\$ 48.55	\$ 49.65	\$ 48.41	\$ 47.65	\$ 48.41	-2.60%	-6.53%		
Wastewater									
5/8" x 3/4" meter									
3,000 Gallons	\$ 21.93	\$ 22.36	\$ 18.91	\$ 20.29	\$ 18.91	-8.80%	-15.43%		
5,000 Gallons	\$ 29.15	\$ 28.94	\$ 24.63	\$ 28.43	\$ 24.63	-8.81%	-14.89%		
10,000 Gallons (Sewer Cap 8,000 Gallons)	\$ 39.98	\$ 38.81	\$ 33.21	\$ 35.64	\$ 33.21	-8.82%	-14.43%		
Combined Water & Sewer Customer									
5/8" x 3/4" meter									
3,000 Gallons	\$ 43.28	\$ 45.13	\$ 41.45	\$ 43.44	\$ 41.45	-4.58%	-8.15%		
5,000 Gallons	\$ 57.70	\$ 59.39	\$ 53.99	\$ 56.58	\$ 53.99	-4.58%	-9.09%		
10,000 Gallons	\$ 86.53	\$ 88.46	\$ 79.62	\$ 83.29	\$ 79.62	-4.41%	-9.99%		

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FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES SCHEDULE NO. 4
ANALYSIS OF REMAND ADJUSTMENT IMPACTS ON REFUND **DOCKET NO. 00-01**
TEST YEAR ENDED 12/31/95

Item	A	B	C
Item	Water	Wastewater	Total

Ordered Revenue Requirements

1 Interim Ordered	\$ 5,491,319	\$ 3,432,636	\$ 8,923,955
2 Final Ordered	5,373,161	3,186,512	8,559,673
3 Difference (line 1 - 2)	\$ 118,158	\$ 246,124	\$ 364,282

Potential Remand Adjustments

4 FWS Prevails on 15%*	44,217	67,591	111,807
5 Difference (line 3 - 4)	\$ 73,941	\$ 178,533	\$ 252,475
6 FWS Prevails on 50%	147,389	225,302	\$ 372,691
7 Difference (line 3 - 5)	\$ (29,231)	\$ 20,822	\$ (8,409)
8 FWS Prevails on 100%	294,777	450,604	\$ 745,381
9 Difference (line 3 - 6)	\$ (176,619)	\$ (204,480)	\$ (381,099)

*Best case scenario for Florida Public Service Commission

**FWS AMENDED APPLICATION FOR ESTABLISHMENT OF CONDITIONAL RATES
 COMPARISON OF AMENDED APPLICATION VS. CONTINUED HEARINGS AND APPEALS
 TEST YEAR ENDED 12/31/95**

**SCHEDULE NO. 5
 DOCKET NO. 00-01**

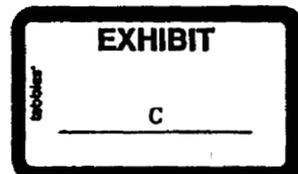
Item	A Proposed Settlement		B FPSC Success Rate with Remand Adjustments			
			85%	75%	50%	0%
1 Potential Refund*	\$ -	\$ 2,761,697	\$ 1,958,332	\$ -	\$ -	\$ -
2 Rate Case Expense						
3 YTD Appeal & Remand	\$ 200,000	\$ (200,000)	\$ (200,000)	\$ (200,000)	\$ (200,000)	\$ (200,000)
4 Projected Hearing & Appeal		\$ (378,000)	\$ (378,000)	\$ (378,000)	\$ (378,000)	\$ (378,000)
5 Subtotal	\$ 200,000	\$ (578,000)	\$ (578,000)	\$ (578,000)	\$ (578,000)	\$ (578,000)
6 Other Factors						
7 Additional Interim Rate Payments**	\$ (2,000,000)	\$ (3,916,664)	\$ (3,916,664)	\$ (3,916,664)	\$ (3,916,664)	\$ (3,916,664)
8 Emergency Shelter Improvements	150,000	-	-	-	-	-
9 Subtotal	\$ (1,850,000)	\$ (3,916,664)	\$ (3,916,664)	\$ (3,916,664)	\$ (3,916,664)	\$ (3,916,664)
10 Net Impact (lines 1+5+9)	\$ (1,650,000)	\$ (1,732,967)	\$ (2,536,332)	\$ (4,494,664)	\$ (4,494,664)	\$ (4,494,664)

*Total revenue subject to refund is estimated at \$3,916,644 using time-series analysis assuming a three (3) year hearing and appeal period.
 ** Estimated amount of additional payments, with interest, by customers as a result of interim rates.

**PROPOSED SETTLEMENT FOR PALM COAST RATE FILING
 PALM COAST 1 ST DCA CASE NO. 97-1720, APPEAL OF ORDER NOS.
 PSC-97-0388-FOF-WS & PSC-96-1338-FOF-WS
 DOCKET 951056-WS**

(1)	(2)	(3)	(4)
<u>Description</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ORDERED REVENUE REQUIREMENTS:			
1) Interim Ordered *	<u>5,491,319</u>	<u>3,432,636</u>	<u>8,923,955</u>
2) Final Ordered (PSC-97-0388-FOF-WS) *	<u>5,373,161</u>	<u>3,186,512</u>	<u>8,559,673</u>
3) Remand Adjustments	<u>294,777</u>	<u>450,604</u>	<u>745,381</u>
4) Final Revenues After Remand Adjustments	<u>5,667,938</u>	<u>3,637,116</u>	<u>9,305,054</u>
5) Settlement Revenue Requirements	<u>5,373,161</u>	<u>3,186,512</u>	<u>8,559,673</u>

Note: *Interim Test Year based on 12/31/94. Final Test Year based on 12/31/95.



**FLORIDA WATER SERVICES
 BILLING COMPARISON
 PALM COAST PERCENTAGE DECREASE TO CURRENT INTERIM RATES AS A RESULT
 OF PROPOSED SETTLEMENT (FINAL ORDERED RATES ADJUSTED FOR RAF DECREASE)**

PALM COAST RATE COMPARISON

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
INTERIM RATES			
5/8 X 3/4" Residential Customer: (1)			
Base	\$11.26	\$12.50	
Gallonage	\$3.84	\$3.29	
Typical Bill:			
@ 0 Gallons	\$11.26	\$12.50	\$23.76
@ 1,000 Gallons	\$15.10	\$15.79	\$30.89
@ 2,000 Gallons	\$18.94	\$19.08	\$38.02
@ 3,000 Gallons	\$22.78	\$22.37	\$45.15
@ 4,000 Gallons	\$26.62	\$25.66	\$52.28
@ 5,000 Gallons	\$30.46	\$28.95	\$59.41
@ 6,000 Gallons	\$34.30	\$32.24	\$66.54
@ 7,000 Gallons	\$38.14	\$35.53	\$73.67
@ 8,000 Gallons	\$41.98	\$38.82	\$80.80
@ 9,000 Gallons	\$45.82	\$38.82	\$84.64
@ 10,000 Gallons (Sewer Cap 8,000)	\$49.66	\$38.82	\$88.48

**SETTLEMENT RATES
 (FINAL ORDERED RATES ADJUSTED FOR RAF ADJUSTMENT)**

5/8 X 3/4" Residential Customer:			
Base	\$12.31	\$10.33	
Gallonage	\$3.41	\$2.86	
Typical Bill:			
@ 0 Gallons	\$12.31	\$10.33	\$22.64
@ 1,000 Gallons	\$15.72	\$13.19	\$28.91
@ 2,000 Gallons	\$19.13	\$16.05	\$35.18
@ 3,000 Gallons	\$22.54	\$18.91	\$41.45
@ 4,000 Gallons	\$25.95	\$21.77	\$47.72
@ 5,000 Gallons	\$29.36	\$24.63	\$53.99
@ 6,000 Gallons	\$32.77	\$27.49	\$60.26
@ 7,000 Gallons	\$36.18	\$30.35	\$66.53
@ 8,000 Gallons	\$39.59	\$33.21	\$72.80
@ 9,000 Gallons	\$43.00	\$33.21	\$76.21
@ 10,000 Gallons (Sewer Cap 8,000)	\$46.41	\$33.21	\$79.62

SETTLEMENT RATE REDUCTION

\$ AMOUNT:	@ 0 Gallons	\$1.05	(\$2.17)	(\$1.12)
	@ 1,000 Gallons	\$0.62	(\$2.60)	(\$1.98)
	@ 2,000 Gallons	\$0.19	(\$3.03)	(\$2.84)
	@ 3,000 Gallons	(\$0.24)	(\$3.46)	(\$3.70)
	@ 4,000 Gallons	(\$0.67)	(\$3.89)	(\$4.56)
	@ 5,000 Gallons	(\$1.10)	(\$4.32)	(\$5.42)
	@ 6,000 Gallons	(\$1.53)	(\$4.75)	(\$6.28)
	@ 7,000 Gallons	(\$1.96)	(\$5.18)	(\$7.14)
	@ 8,000 Gallons	(\$2.39)	(\$5.61)	(\$8.00)
	@ 9,000 Gallons	(\$2.82)	(\$5.61)	(\$8.43)
	@ 10,000 Gallons (Sewer Cap 8,000)	(\$3.25)	(\$5.61)	(\$8.86)

PERCENTAGE:	@ 0 Gallons	9.33%	-17.36%	-4.71%
	@ 1,000 Gallons	4.11%	-16.47%	-6.41%
	@ 2,000 Gallons	1.00%	-15.88%	-7.47%
	@ 3,000 Gallons	-1.05%	-15.47%	-8.19%
	@ 4,000 Gallons	-2.52%	-15.16%	-8.72%
	@ 5,000 Gallons	-3.61%	-14.92%	-9.12%
	@ 6,000 Gallons	-4.46%	-14.73%	-9.44%
	@ 7,000 Gallons	-5.14%	-14.58%	-9.69%
	@ 8,000 Gallons	-5.69%	-14.45%	-9.90%
	@ 9,000 Gallons	-6.15%	-14.45%	-9.96%
	@ 10,000 Gallons (Sewer Cap 8,000)	-6.54%	-14.45%	-10.01%

Note:

(1) Current rates in effect for Palm Coast. Interim rates were adjusted for a reduction in revenue assessment fees by Flagler County (4.5% to 2.5%).

EXHIBIT

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FLORIDA WATER SERVICES
 PALM COAST - DOCKET NO. 951056-WS
 Water Rate Schedule - Interim, Final Ordered, Settlement Rates
 Final Ordered Adjusted for Flager County RAF Reduction

PAGE 1 OF 2

(1)	(2)	(3)	(4)
WATER RATE SCHEDULE			
	Commission Approved Interim Per Order (1) PSC-96-0493-FOF-WS	Commission Approved Final Per Order PSC-97-0388-FOF-WS	Proposed Settlement Rates Final Ordered Rates PSC-97-0388-FOF-WS Adjusted For Flagler County RAF Reduction (2)
Residential, General Service and Multi-Family			
Base Facility Charge:			
Meter Size:			
5/8" x 3/4"	\$11.49	\$12.57	\$12.31
1"	\$28.71	\$31.44	\$30.80
1-1/2"	\$57.42	\$62.87	\$61.58
2"	\$91.87	\$100.60	\$98.54
3"	\$183.73	\$201.20	\$197.07
4"	\$287.09	\$314.37	\$307.92
6"	\$574.16	\$628.74	\$615.84
Gallonge Charge per 1,000 Gallons	\$3.92	\$3.48	\$3.41
Bulk Service			
6" - Hammock Dunes - BFC	\$213.39	\$194.79	\$190.79
Gallonge Charge per / 1,000 Gallons	\$1.10	\$1.00	\$0.98
Irrigation Service - All Classes			
Base Facility Charge:			
Meter Size:			
5/8" x 3/4"	\$5.75	\$6.29	\$6.16
1"	\$28.71	\$31.44	\$30.80
1-1/2"	\$57.42	\$62.87	\$61.58
2"	\$91.87	\$100.60	\$98.54
3"	\$183.73	\$201.20	\$197.07
4"	\$287.09	\$314.37	\$307.92
6"	\$574.16	\$628.74	\$615.84
Gallonge Charge per 1,000 Gallons	\$3.92	\$3.48	\$3.41
Private Fire Protection			
<u>Line Size</u>			
4"	\$95.68	\$26.20	\$25.66
6"	\$191.38	\$52.40	\$51.33
8"	\$306.20	\$83.83	\$82.11
10"	\$440.13	\$120.51	\$118.04
12"	\$822.80	\$225.30	\$220.68
Public Fire Hydrants			
Per Hydrant - Per Year	\$100.00	\$0.00	\$0.00
Typical Residential Bills			
<u>5/8" x 3/4" meter</u>			
3,000 Gallons	\$23.25	\$23.01	\$22.54
5,000 Gallons	\$31.09	\$29.97	\$29.36
10,000 Gallons	\$50.69	\$47.37	\$46.41

Note:

- (1) Reflects Commission approved rates per order. Does not reflect current billed interim rates which were adjusted for a reduction in RAF from 4.5% to 2.5%.
 (2) Flagler County reduced revenue assessment fees from 4.5% to 2.5%. (Column (3) Final Ordered Rates x .955 / .975)

FLORIDA WATER SERVICES
PALM COAST - DOCKET NO. 951056-WS
Wastewater Rate Schedule - Interim, Final Ordered, Settlement Rates
Final Ordered Adjusted for Flagler County RAF Reduction

PAGE 2 OF 2

	(1)	(2)	(3)	(4)
WASTEWATER RATE SCHEDULE				
	Commission Approved Interim Per Order (1) PSC-96-0493-FOF-WS	Commission Approved Final Per Order PSC-97-0388-FOF-WS	Proposed Settlement Rates Final Ordered Rates PSC-97-0388-FOF-WS Adjusted For Flagler County RAF Reduction (2)	
Residential				
Base Facility Charge:				
All Meter Sizes	\$12.75	\$10.55	\$10.33	
Gallage Charge per 1,000 Gallons (8,000 gallon cap)	\$3.36	\$2.92	\$2.86	
General Service				
Base Facility Charge:				
Meter Size:				
5/8" x 3/4"	\$12.75	\$10.55	\$10.33	
1"	\$31.85	\$26.38	\$25.84	
1-1/2"	\$63.68	\$52.76	\$51.68	
2"	\$101.88	\$84.42	\$82.69	
3"	\$203.77	\$168.54	\$165.08	
4"	\$318.40	\$263.82	\$258.41	
6"	\$636.79	\$527.64	\$516.82	
8"				
Gallage Charge per 1,000 Gallons	\$4.04	\$3.51	\$3.44	
Reuse				
Per 1,000 gallons	\$0.00	\$0.07	\$0.07	
Typical Residential Bills				
5/8" x 3/4" meter				
3,000 Gallons	\$22.83	\$19.31	\$18.91	
5,000 Gallons	\$29.55	\$25.15	\$24.63	
10,000 Gallons (Sewer Cap 8,000 Gallons)	\$39.63	\$33.91	\$33.21	

Note:

- (1) Reflects Commission approved rates per order. Does not reflect current billed interim rates which were adjusted for a reduction in RAF from 4.5% to 2.5%.
(2) Flagler County reduced revenue assessment fees from 4.5% to 2.5%. (Column (3) Final Ordered Rates x .955 / .975)