

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA



DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(850) 413-6199

Public Service Commission

December 5, 1997

Wayne Schiefelbein, Esq.
Gatlin, Schiefelbein & Cowdery, P.A.
The Mahan Station
1709-D Mahan Drive
Tallahassee, Florida 32308

Re: Docket No. 970991-SU -- Investigation into Rates and Charges of Florida Cities Water Company -- Lee County Division (South Fort Myers Wastewater System) for Possible Overearnings.

Dear Mr. Schiefelbein:

On Monday, November 24, 1997, staff and the utility discussed, by phone, the overearnings situation of the South Fort Myers wastewater system. During this conversation both parties agreed that the South Fort Myers wastewater system is overearning and that the agreement between Florida Cities Water Company (FCWC) and Lee County for the treatment and disposal of Lee County's reclaimed water is the cause of the overearnings. Staff is very interested in working with FCWC in order to reach a mutual agreement that can be presented to the Commission.

ACK _____ As a result of those discussions, it is staff's understanding that FCWC would prefer to make one refund for the 1996 price index and for any excess earnings held subject to refund for 1997.
AFA _____ Staff believes this is a viable option. However, staff would like to carry it a step further and ask
APP _____ FCWC to refund the 1996 price index and, also, refund any excess earnings above the authorized
CAF _____ range of return on equity for the South Ft. Myers wastewater system for the test year ended
CMU _____ December 31, 1997. In return staff would consider recommending that the date for the refunds be
CTR _____ extended until May or June of 1998, and that the utility be allowed to keep its present rates. Also,
EAG _____ for future periods, staff will review and recalculate, if necessary, the amount of revenues held
LEG _____ subject to refund each year, and do annual refund/true-ups until the contract with the county
terminates.

LIN _____

OPC _____

RCH _____

SEC 1

WAS _____

OTH _____

DOCUMENT NUMBER-DATE

CAPITAL CIRCLE OFFICE CENTER • 2540 SUMNER OAK BOULEVARD • TALLAHASSEE, FL 32399-0850
An Affirmative Action/Equal Opportunity Employer 12536 DEC 8 97 Internet E-mail CONTACT@PSC.STATE.FL.US

FPSC-RECORDS/REPORTING

12536-97

Based on the above, staff would be happy to meet with the utility or entertain a settlement offer. Please contact me at (850) 413-6234 if you have any questions regarding the overearnings situation. I will look forward to hearing from you within the next week or two.

Sincerely,



Ralph R. Jaeger
Staff Attorney

RRJ:shm

cc: Florida Cities Water Company (Murphy)
Division of Records and Reporting
Division of Water and Wastewater (Willis, Merchant, Moniz)