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DIVISION OF LEGAL SERVICES
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Public Service Commission

January 21, 1998

B. Kenneth Gatlin, 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. Gatlin:

In addition to the semi-annual earnings report that FCWC is required to file pursuant to Order No. PSC-97-0019-FOF, Docket No. 961231-WS, issued January 6, 1997, staff requires additional information to process this overearnings investigation. Staff realizes that the Commission only voted to hold revenues subject to refund on September 9, 1997, but requests the utility to provide the following supplemental information to determine the extent of overearnings through the end of 1997. All balances should be consistent with those adjustments made in the past rate proceeding for the South Fort Myers division, Docket No. 951029-WU, Order No. PSC-96-0859-FOF-WU, issued July 2, 1996. Additionally, if the Commission made any other adjustments in Docket No. 951258-WS, Order No. PSC-96-1147-FOF-WS, issued September 12, 1996, for the Barefoot Bay division or in Docket No. 950387-SU, Order No. PSC-96-1133-FOF-SU, issued September 10, 1996 for the North Fort Myers division, that would be applicable to the total company allocations, please make those adjustments.

1. Provide a detailed rate base schedule and the following support schedules for a 13-month average test year ending December 31, 1997:

- A. Plant in service by primary account;
- B. Accumulated depreciation by primary account;
- C. Non-used and useful plant by primary account, including the workpapers used to calculate the used and useful amounts;

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- D. CIAC and CIAC amortization amounts;
 - E. The common plant allocation and methodology used to calculate the 13-month average balance;
 - F. Balance of unfunded post-retirement benefits for total company and this division's allocations; and
 - G. Working capital calculation using the balance sheet method, including workpapers used to calculate working capital and an explanation how it was allocated.
2. Provide a detailed schedule calculating the cost of capital for a 13-month average test year ended December 31, 1997.
3. Provide a Net Operating Income Schedule and the following supporting schedules for the test year ended December 31, 1997:
- A. 1997 revenues with a breakdown by category (miscellaneous, guaranteed, and Lee County);
 - B. Detailed operation and maintenance expense schedule by primary account;
 - C. Detailed depreciation expense schedule by primary account which includes non-used and useful adjustments;
 - D. Taxes other than income schedule; and
 - E. Detailed report showing the income tax calculations including specific adjustments for this system.
4. Calculate the dollar amount of the revenues received from the 1996 price index, beginning with June 14, 1996 through December 31, 1997.

Please provide the above information by February 23, 1998. If you have any questions, you may contact me at 413-6234.

Sincerely,



Ralph R. Jaeger
Senior Attorney

RRJ:shm

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