

State of Florida



Public Service Commission

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

DATE: February 6, 1997
 TO: Julia L. Johnson, Chairman
 FROM: Charles H. Hill, Director, Division of Water and Wastewater
 Lila Jaber, Bureau Chief, Division of Legal Services
 RE: Docket No. 970116-WU, Application of Hobe Sound Water Company for an Increase in Water Rates in Martin County - Test Year Approval

By letter dated February 5, 1997, Hobe Sound Water Company (HSWC) has requested approval to use a projected test year ended June 30, 1998. The filing will utilize a base year ended June 30, 1996 and an intermediate year ended June 30, 1997. The company has not indicated whether they will also be requesting an interim increase.

HSWC states the reason for filing this case is that the current rates being charged will not provide a fair rate of return on their investment. The major reason for the rate increase appears to be the construction of a iron and manganese removal facility for approximately \$1.4 million. The plant addition will be placed into use during 1997. The utility's last change in rates was for a general rate increase which was effective in 1994.

Staff believes, given the circumstances, that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1993 through 1995. Based on our review, we believe that the requested test year should be approved. Receipt of the application by June 4, 1997, will be acceptable.

The test year letter filename is S:\PSC\WAW\WP\HSWC.MWW

- ACK _____
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JULIA L. JOHNSON
CHAIRMAN



CAPITAL CIRCLE OFFICE CENTER
2540 Shumard Oak Boulevard
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Public Service Commission

February 10, 1997

D. Bruce May
Holland & Knight LLP
315 South Calhoun Street
Suite 600
Tallahassee, Florida 32301

RE: Docket No. 970146-WU, Application of Hobe Sound Water Company for Increased Water Rates in Martin County - Test Year Approval

Dear Mr. May:

We have received your letter dated February 5, 1997, requesting approval to use a projected test year ended June 30, 1998, utilizing an intermediate test year ended June 30, 1997 and a base year ended June 30, 1996. Your test year request as outlined above is hereby approved. You should also be aware that prefiled direct testimony must be filed with the minimum filing requirements if you do not elect to request the proposed agency action process.

For administrative purposes only, Docket No. 970146-WU has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of Records and Reporting receives the complete petition, revised tariff sheets, the minimum filing requirements, testimony (if not requesting PAA) and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than June 4, 1997. Because of the difficulty in scheduling hearing dates it is not anticipated that an extension of this filing date will be granted.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, information not filed with the original application may not be considered. Lastly, the utility should be prepared to justify all increased operation and maintenance expenses, particularly those in excess of customer growth and inflation since the utility's last rate case.

DOCUMENT NUMBER-DATE

D. Bruce May
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Sincerely,

Julia L. Johnson
Chairman

MWW

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