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June 18, 1997

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D. BRUCE MAY
904-425-5607

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dbmay@h.klaw.com

ORIGINAL
FILE COPY

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application for Increased Water Rates by Hobe Sound Water Company (HSWC) in Martin County, Docket No. 970164-WU

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of the attachments to the affidavit of Michael Carfine, Manager of The Hobe Sound Water Company, attesting to (i) the mailing of the Notice of Customer Meeting to all the utility's customers; and (ii) the hand delivery of copies of the Rate Case Synopsis to Martin County and the Town of Jupiter Island. Please ensure that these attachments are appended to Mr. Carfine's affidavit which was filed with your office on June 16, 1997.

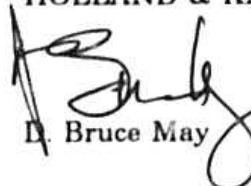
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For purpose of our records, please acknowledge your receipt of this filing on the enclosed copy of this letter.

Thank you for your consideration in this matter.

Sincerely,

HOLLAND & KNIGHT LLP


D. Bruce May

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER DATE
16109 JUN 18 97

Blanca S. Bayo
June 18, 1997
Page 2

Enclosure
DBM/kdw

cc: Ms. Roseanne Capeless
Mr. Troy Rendell
Mr. Lee Monroe
Mr. Jack Shreve, Office of Public Counsel
Mr. Michael Carfine
Mr. John F. Guastella

TAL-109951

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF CUSTOMER MEETING

TO THE CUSTOMERS OF
HOBE SOUND WATER COMPANY,
TO THE OFFICE OF PUBLIC COUNSEL,
AND ALL OTHER INTERESTED PERSONS

DOCKET NO. 970164-WU

FOR INCREASE IN RATES IN MARTIN COUNTY BY THE
APPLICATION OF HOBE SOUND WATER COMPANY

DATED JUNE 6, 1997

NOTICE is hereby given that the Hobe Sound Water Company has filed a request for a proposed agency action procedure with the Florida Public Service Commission under Section 367.081(8), Florida Statutes, for a rate increase to allow the utility to recover the costs associated with the construction of a groundwater filtration facility and the cost of providing service.

Customer Meeting

The Staff of the Florida Public Service Commission will conduct a customer meeting to discuss the above application at the following place and time:

Date: Wednesday, June 25, 1997
Time: 6:30 p.m.
Place: St. Christopher's Church
Parish Hall
12001 S.E. Federal Hwy
Hobe Sound, Florida

All persons who wish to comment are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present.

Purpose of Meeting

The purpose of the meeting is to give customers an opportunity to offer comments to the Commission staff regarding the quality of service provided by the utility and to ask questions or offer comments on the utility's proposed rates included with this notice, as well as other issues. Staff members will summarize the preliminary work accomplished and answer questions. A representative from the utility will also be present.

Any person requiring some accommodation at the customer meeting because of a physical impairment, should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the meeting. If you are hearing or speech impaired, please contact the Florida Relay Service by using the following numbers: 1-800-955-8700 (VOICE) or 1-800-955-8771 (TDD).

DOCUMENT NUMBER DATE

06109 JUN 18 97

FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF RECORDS AND REPORTING

FILE COPY

Utility Application

Copies of the utility's application may be examined by interested members of the public from 9:00 a.m. to 3:00 p.m., Monday through Friday, at the utility's office located at 11844 S.E. Dixie Hwy., Hobe Sound, Florida.

The present and proposed rates are as follows:

| <u>Class/Meter Size</u> | <u>Present Rates</u> | <u>Proposed Rates</u> |
|---------------------------|----------------------|-----------------------|
| RESIDENTIAL | | |
| Base Facility Charge: | | |
| 5/8" x 3/4" | \$ 13.59 | \$ 18.68 |
| 3/4" | 20.38 | 28.02 |
| 1" | 33.96 | 46.70 |
| 1 1/2" | 67.92 | 93.40 |
| 2" | 108.68 | 149.44 |
| 3" | 217.35 | 298.88 |
| 4" | 339.60 | 467.00 |
| Gallage Charge/1,000 gal. | | |
| 0 to 10,000 gallons | \$ 0.87 | \$ 1.20 |
| 10,001 to 40,000 gallons | 1.96 | 2.40 |
| Over 40,000 gallons | 2.62 | 3.00 |
| GENERAL SERVICE | | |
| Base Facility Charge: | | |
| 5/8" x 3/4" | \$ 13.59 | \$ 18.68 |
| 3/4" | 20.38 | 28.02 |
| 1" | 33.96 | 46.70 |
| 1 1/2" | 67.92 | 93.40 |
| 2" | 108.68 | 149.44 |
| 3" | 217.35 | 298.88 |
| 4" | 339.60 | 467.00 |
| Gallage Charge/1,000 gal. | | |
| All Consumption | \$ 1.63 | \$ 2.06 |

How to Contact the Commission

Written comments and questions regarding the requested rate increase may be sent to the Commission at the following address:

Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

All correspondence should refer to Docket No. 970164-WU, which is the docket number that has been assigned to this case.

If you have any questions or require any additional information, you may contact the utility at (561)546-2511. This notice was prepared by the utility at the direction and with the approval of the Commission staff for distribution to the utility's customers.

June 6, 1997

Hobe Sound Water Company

(copy)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of The Hobe Sound
Water Company for Increased
Water Rates in Martin County)
)
)
)

Docket No. 970164-WU

RECEIVED

JUN 05 1997

FPSC - Records/Reporting

SYNOPSIS

HOBE SOUND WATER COMPANY ("Applicant"), has applied to the Florida Public Service Commission (the "Commission") for an increase in its water rates in Martin County, Florida. This application is designed to allow Applicant recover its costs associated with the construction of a groundwater filtration facility, as well as current operating expenses.

1. Applicant is a water utility regulated by the Commission. The proposed rate increase will provide Applicant with an opportunity to earn an overall rate of return of 9.14% and a rate of return on equity of 11.88% on its operations in Martin County.

2. The present and proposed rates and charges as set forth in Applicant's Minimum Filing Requirements ("MFRs") are as follows:

| <u>Class/Meter Size</u> | <u>Present Rates</u> | <u>Proposed Rates</u> |
|------------------------------|----------------------|-----------------------|
| RESIDENTIAL | | |
| Base Facility Charge: | | |
| 5/8" x 3/4" | \$13.59 | \$18.68 |
| 3/4" | 20.38 | 28.02 |
| 1" | 33.96 | 46.70 |
| 1 1/2" | 67.92 | 93.40 |
| 2" | 108.68 | 149.44 |
| 3" | 217.35 | 298.88 |
| 4" | 339.60 | 467.00 |
| Gallage Charge/1,000 gallons | | |
| 0 to 10,000 gallons | \$0.87 | \$1.20 |
| 10,001 to 40,000 gallons | 1.96 | 2.40 |
| Over 40,000 gallons | 2.62 | 3.00 |

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FPSC-BUREAU OF RECORDS

GENERAL SERVICE

Base Facility Charge:

| | | |
|--------------------------------|---------|---------|
| 5/8" x 3/4" | \$13.59 | \$18.68 |
| 3/4" | 20.38 | 28.02 |
| 1" | 33.96 | 46.70 |
| 1 1/2" | 67.92 | 93.40 |
| 2" | 108.68 | 149.44 |
| 3" | 217.35 | 298.88 |
| 4" | 339.60 | 467.00 |
| Gallorage Charge/1,000 gallons | | |
| All consumption | \$1.63 | \$2.06 |

3. At this time, the major issues in the rate case have not yet been determined. However, Applicant anticipates that its investment in the groundwater filtration system will be examined by the Commission in this proceeding. The Commission is also expected to review Applicant's quality of service and its rates and charges for service.

4. A description of the ratemaking process is as follows:

The case begins when the utility requests a specific period of time (a "test year") to be used to determine the investment and expenses on which rates should be based. The test year may be approved, or another period suggested by the Chairman of the Commission. By letter dated February 10, 1997, Chairman Johnson approved Applicant's request for use of a projected test year ending June 30, 1998, utilizing an intermediate test year ended June 30, 1997, and a historical base year ended June 30, 1996. Applicant prepared the financial, rate, accounting, engineering and billing analysis information that is necessary to support the increase. This data is required by Commission rules and is referred to as the MFRs. The Applicant in this case submitted the MFRs when it filed its application on April 3, 1997. When the MFRs are

filed with and accepted by the Commission, the official date of filing is established. The official date of filing in this case is May 2, 1997.

The utility is required to place a copy of the MFRs and this synopsis at its business office in the service area. Within 50 days after the official date of filing is established by the Commission, the utility must notify the customers that a rate change is being requested, showing the utility's present and proposed rates, the time schedule for the case, the dates, times and locations of any hearings that have been scheduled, and the location of this synopsis and the MFRs.

During the first 60 days, the commission may authorize an interim rate increase, subject to refund, to go into effect while the rate case is pending if the MFRs indicate that the utility is earning less than the last authorized rate of return on its investment. Applicant has requested interim rates in this case.

The Commission has a professional staff that specializes in reviewing and analyzing the data submitted by the utility in support of its rate request. An audit of the utility's accounting records is made, with the company's financial operations carefully reviewed. Engineering personnel make a detailed study of the utility's physical facilities including on-site investigations. The Staff engineer also reviews the utility's compliance with local, state, and federal environmental agencies' rules.

Applicant has requested that the Commission address its application for a rate increase through the Commission's proposed agency action process pursuant to Section 367.081(8), Florida Statutes. The entire Commission will address Applicant's request for a rate increase at a regularly scheduled Agenda Conference. The Commission's

decision will be memorialized in a notice of proposed agency action. The Commission will not conduct a formal evidentiary hearing in this proceeding unless the notice of proposed agency action is protested within 21 days of its issuance. If no timely protest is filed, the Commission's notice of proposed agency action will automatically mature into a final order of the Commission.

5. The Commission has established a schedule to process this rate case. This schedule is subject to change by the Commission. The key dates under the current schedule are as follows:

| | |
|--------------------------------|--------------------|
| Staff Recommendation - Interim | June 12, 1997 |
| Agenda Conference | June 24, 1997 |
| Customer Meeting | June 25, 1997 |
| Audit Complete | July 11, 1997 |
| Standard Order - Interim | July 14, 1997 |
| Staff Recommendation | September 11, 1997 |
| Agenda Conference | September 23, 1997 |
| PAA Order | October 13, 1997 |

6. A complete copy of the MFRs are available for inspection from 9:00 a.m. until 3:00 p.m., Monday through Friday, at the Applicant's headquarters:

The Hobe Sound Water Company
11844 S.E. Dixie Highway
Hobe Sound, Florida 33455-0068

7. Customer comments concerning Applicant's service and its request for a rate increase should be addressed to the Director of the Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. All comments should include reference to Commission Docket No. 970164-WU, which has been assigned to this case. Complaints regarding

service may be made to the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

TAL-109093