

HOPPING GREEN SAMS & SMITH

PROFESSIONAL ASSOCIATION

ATTORNEYS AND COUNSELORS

123 SOUTH CALHOUN STREET

POST OFFICE BOX 6626

TALLAHASSEE, FLORIDA 32314

(904) 222-7500

FAX (904) 224-8551

FAX (904) 425-3415

Writer's Direct Dial No.

(904) 425-2313

February 16, 1996

CONNIE C. DURRENCE
JAMES C. GOODLETT
GARY K. HUNTER, JR.
JONATHAN T. JOHNSON
ROBERT A. MANNING
ANGELA R. MORRISON
GARY V. PERKO
KAREN M. PETERSON
MICHAEL P. PETROVICH
LISA K. RUSHTON
R. SCOTT RUTH
JULIE R. STEINMEYER
T. KENT WETHERELL, II

OF COUNSEL
CARLOS ALVAREZ
W. ROBERT FOXES

JAMES S. ALVES
BRIAN H. BIDEAU
KATHLEEN BLIZZARD
ELIZABETH C. BOWMAN
RICHARD S. BRIGHTMAN
PETER C. CUNNINGHAM
RALPH A. DiMEO
THOMAS M. DiROSE
WILLIAM H. GREEN
WADE L. HOPPING
FRANK E. MATTHEWS
RICHARD D. MELSON
DAVID L. POWELL
WILLIAM D. PRESTON
CAROLYN S. RAEPPLE
DOUGLAS S. ROBERTS
GARY P. SAMS
ROBERT P. SMITH
CHERYL G. STUART

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FILE COPY

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

Re: Hobe Sound Water Company -- Application for a Limited
Proceeding -- Docket No. 96 0192 -WU

Dear Ms. Bayó:

Enclosed for filing on behalf of Hobe Sound Water Company
(Hobe Sound) are the original and fifteen copies of a Petition
for Limited Proceeding, including a document entitled "Support
Documentation and Work Papers."

Also enclosed are the original only of the following
additional supporting documents: (a) Appendices A to D,
(b) Consent Agreement Between Hobe Sound and the South Florida
Water Management District, and (c) proposed form of customer
notice. Pursuant to an agreement reached at an informal meeting
with the Commission staff, additional copies of the supporting
documents have been furnished directly to the staff of the
Division of Water and Wastewater and the Division of Legal
Services as required.

Also enclosed is a check in the amount of \$1,750 in payment
of the applicable filing fee.

If you have any questions regarding this filing, please
call.

Very truly yours,

Richard D. Melson

Richard D. Melson

*01877-96 Support doc.
01878-96 Appendices A-D
01879-96 Consent Agree.
01880-96 Proposed form*

RDM/mee
Enclosures

man

cc: Marshall Willis
Rosanne Capeless
Connie Binford
Robert Crouch

Michael Carfine
John Guastella
Gary White

Petition
DOCUMENT NUMBER-DATE

01876 FEB 16 96

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of HOBE) Docket No. _____-WU
SOUND WATER COMPANY for a)
limited proceeding to include) Filed: February 16, 1996
groundwater development and)
protection costs in rates)
_____)

PETITION FOR LIMITED PROCEEDING

Hobe Sound Water Company (Hobe Sound) files this petition for a limited proceeding pursuant to Section 367.0822, Florida Statutes, and Rule 25-22.036, Florida Administrative Code. In support thereof, Hobe Sound states:

1. The petitioner's full name and address is:

Hobe Sound Water Company
P.O. Box 68
Hobe Sound, FL 33475-0068

2. The names and addresses of the representatives of Hobe Sound who should receive copies of notices, pleadings and other documents are:

Richard D. Melson
Hopping Green Sams & Smith, P.A.
P.O. Box 6526
Tallahassee, FL 32314

with a copy to:

Michael Carfine
Hobe Sound Water Company
P.O. Box 68
Hobe Sound, FL 33475-0068

3. Hobe Sound's last general rate increase was granted by Order No. PSC-94-1452-FOF-WU issued on November 28, 1994 in Docket No. 940475-WU. That rate proceeding was based on a projected test year ended December 31, 1994.

4. The purpose of this limited proceeding is to adjust the monthly water rates of Hobe Sound to reflect the impact of expenditures made since the date of its last rate case to develop and protect groundwater resources. These include:

(a) the construction of additional production wells;

(b) the construction of groundwater monitoring wells;

(c) the construction of an emergency interconnection line with a neighboring utility;

(d) the costs of developing and implementing a Consent Agreement with the South Florida Water Management District (the "Consent Agreement"), which are amortized over three years; and

(e) the cost of groundwater monitoring and other obligations incurred pursuant to the Consent Agreement, which are amortized over five years. The amount of the fine paid to the South Florida Water Management District as part of the Consent Agreement is not included in this rate request.

5. The annual revenue requirement associated with these expenditures, including projected rate case expense for this limited proceeding, is \$232,234. This represents a 15.76% increase compared with the utility's adjusted 1995 revenues of \$1,473,744. For purposes of these calculations, the utility has used an overall rate of return of 9.36%. This reflects the utility's current capital structure and cost of capital, except that the cost of equity has been set equal to the mid-point of the utility's last authorized rate of return on equity, or 11.34%.

6. The utility proposes to collect this increased revenue requirement through an across-the-board equal percentage increase in all elements of the rates for monthly service.

7. Attached hereto and incorporated herein by reference is a document titled "Support Documentation and Workpapers" consisting of Schedules 1 through 6. These include a revenue deficiency and rate increase calculation, a depreciation calculation, a capital structure schedule, an income tax calculation, a schedule of present and proposed rates, and a revenue schedule. Also included are Appendices A through D which contain copies of all invoices related to these groundwater development and protection expenditures. Also attached is a copy of the Consent Agreement.

8. A check in the amount of \$1,750 in payment of the applicable filing fee under Rule 25-30.020(2)(g) accompanies this petition.

9. Also enclosed is a copy of the proposed form of customer notice for this proceeding.

WHEREFORE, Hobe Sound requests that the Commission:

(a) take jurisdiction over this petition for a limited proceeding pursuant to Section 367.0822, Florida Statutes;

(b) grant an increase in monthly rates designed to produce an additional \$232,234 of annual water revenues, based on an overall cost of capital of 9.36%;

(c) grant such other relief as the Commission deems necessary and proper.

RESPECTFULLY SUBMITTED this 16th day of February, 1996.

HOPPING GREEN SAMS & SMITH, P.A.

By: RD. Melson
Richard D. Melson
Post Office Box 6526
123 South Calhoun Street
Tallahassee, FL 32314
904/222-7500

Attorneys for
Hobe Sound Water Company