

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

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:

Table with 3 columns: Class/Meter Size, Present Rates, Proposed Rates. Includes rows for Residential Base Facility Charge and Gallonage Charge/1,000 gallons.

Vertical list of letters: ACK, AFA, APP, CAF, CMU, CTR, EAG, LEG, LIT, OF, RC, SE, DT.

Handwritten numbers: 7, 2, 5

Handwritten signature: W. Williams

## 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 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-109098