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September 3, 1999

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RECORDS AND REPORTING
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Ms. Blanca Bayo, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 990535-WU

Dear Ms. Bayo:

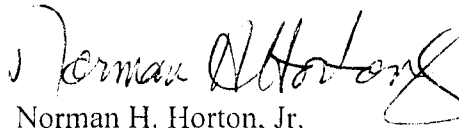
Enclosed for filing in the captioned docket is an original and one copy of the Rate Case Synopsis and letters to the Mayor of the City of Fernandina Beach and Chairman of the Nassau Board of County Commissioners.

By copy of this letter copies of the Synopsis are being provided to Staff and interested parties.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,


Norman H. Horton, Jr.

- WFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- MAS _____
- OPC _____
- PAI _____
- SEC _____
- WAW _____
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NHH/amb
Enclosure

cc: Mr. George Bachman
Ralph Jaeger, Esq.
Ms. Connie Binford
Matt Feil, Esq.
Office of the Public Counsel

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10658 SEP-3 99

FPSC-RECORDS/REPORTING

ORIGINAL

**FLORIDA PUBLIC UTILITIES COMPANY
FERNANDINA BEACH WATER DIVISION**

RATE CASE SYNOPSIS

DOCKET NO 990535-WU

DOCUMENT NUMBER-DATE

10658 SEP-3 88

FPOD-RECORDS/REPORTING

**FLORIDA PUBLIC UTILITIES COMPANY
FERNANDINA BEACH WATER DIVISION
RATE CASE SYNOPSIS
DOCKET NO. 990535-WU**

Index

ITEM	PAGE
I. Purpose	1
II. Comparison of Present and Proposed Rates for Major Services	1
III. General Reason for Rate Request	3
IV. Major Rate Case Issues	3
V. Description of the Ratemaking Process	3
VI. Time Schedule	7
VII. Location of MFRs for Review	7

I. Purpose

In accordance with the Florida Public Service Commission's Rule 25-22.0407 regarding Notice of and Public Information on General Rate Increase Requests, a synopsis of the rate request is to be prepared and distributed by Florida Public Utilities Company, in Nassau County. The following information will provide the background on the rate request and the rate case process in general.

II. Comparison of the Present and Proposed Rates for Major Services

On July 19, 1999, Florida Public Utilities Company filed an application with the Florida Public Service Commission ("Commission") for increased water rates for its customers in Nassau County. The application was assigned Docket No. 990535-WU, and August 6, 1999 was established as the official date of filing.

The utility has requested permanent water revenue increases of \$649,855. This requested increase would produce annual revenues of \$2,893,351 for its operations. A schedule of the utility's present rates and the proposed permanent rates which would produce these revenues follows:

SCHEDULE OF RATES:

Class/Meter Size Present Rates Proposed Final Rates

Residential

Base Facility Charge (monthly per meter)

5/8"	\$ 8.20	\$ 10.45
1"	\$ 18.54	\$ 23.62
2"	\$ 56.51	\$ 72.00
3"	\$ 111.70	\$ 142.32
4"	\$ 208.33	\$ 265.43

Commodity Charge per hundred cubic feet (CCF)

All CCF's	\$ 0.84	
0-5 CCF's		\$ 0.62
6-20 CCF's		\$ 0.93
>20 CCF's		\$ 1.28

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Final Rates</u>
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General Service (Commercial, Industrial, and Public Authority)

Base Facility Charge (monthly per meter)

5/8"	\$ 8.20	\$ 10.45
1"	\$ 18.54	\$ 23.62
2"	\$ 56.51	\$ 72.00
3"	\$ 111.70	\$ 142.32
4"	\$ 208.33	\$ 265.43

Commodity Charge per hundred cubic feet (CCF)

All CCF's	\$ 0.84	\$ 1.09
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Fire Hydrant Service

4"	\$ 70.29	\$ 89.56
5"	\$ 107.11	\$ 136.47
6"	\$ 145.07	\$ 184.83

Automatic Sprinkler System Service

2"	\$ 19.09	\$ 24.32
4"	\$ 70.29	\$ 89.56
6"	\$ 145.07	\$ 184.83
8"	\$ 185.32	\$ 236.12
10"	\$ 265.82	\$ 338.68

<u>Miscellaneous Service Charges</u>	<u>Present Rates</u>	<u>Proposed Final Rates</u>
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During Business Hours

Initial Connection	\$ 5.00	\$ 12.00
Normal Reconnection	\$ 8.00	\$ 12.00
Violation Reconnection	\$ 8.00	\$ 12.00
Premises Visit	\$ 4.00	\$ 8.00

After Business Hours

Initial Connection	\$ 5.00	\$ 12.00
Normal Reconnection	\$ 8.00	\$ 12.00
Violation Reconnection	\$ 12.00	\$ 18.00

III. General Reasons for Rate Request

Florida Public Utilities Company requires a rate increase because the existing rates are insufficient to provide a fair return on the utility's investment in property used and useful in the public service. The last general rate increase of Florida Public Utilities Company was effective May 11, 1987, in Docket No. 860662-WU.

Rates are designed so that the required percentage increase is first spread evenly to the major classes of customers and to the base facility charge and commodity charge. Then the residential class of customers' commodity charge is adjusted to reflect step usage rates, which encourage conservation of water.

The miscellaneous service charges are inadequate and a change is requested. Miscellaneous service charges are connection charges (turn-on fees) and premise visit charges. A connection charge may be an initial connection, or a normal or violation reconnection. An initial connection is the connection charge at a location where service did not previously exist. A normal reconnection charge is a charge for the transfer of service to a new customer account at a location previously served by the utility. A violation reconnection charge is the fee for reconnection for an existing customer after disconnection of service for cause, such as delinquency in bill payment. A premise visit charge is the fee levied when a service representative visits the premises for the purpose of disconnecting service for non-payment of a past due bill and does not disconnect because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

The rate of return on equity requested in this proceeding is 9.97%. The overall return requested (the weighted cost of debt, equity and tax credits) is 9.10%.

IV. Major Rate Case Issues

It is impossible to anticipate all the issues that may develop during a rate case; however, the following issues are anticipated to be the major areas considered:

1. Is the Commission-approved test year appropriate for the purpose of setting rates?
2. What is the test year rate base?
3. What is the test year net operating income?
4. What is the test year cost of capital?
5. What is the test year revenue requirement?
6. What is the proper rate design to recover the test year revenue requirement approved for the utility by the Commission?

V. Description of the Ratemaking Process

To understand how a rate case is handled, it's helpful to look at two basic things. First is who participates in the case. Second is what the Commission will be looking at in making decision in the rate case.

Participants

Many people are involved in a utility rate case. The following is a list of some of the main participants:

1. The Florida Public Service Commission is composed of five Commissioners appointed by the Governor. All five may sit on a rate case, or the case may be assigned by the chairman of the Commission to a panel of Commissioners. The Commissioners assigned to the case will make final decisions on all of the issues in the case based on the evidence received.
2. The Commissioners are assisted by a Commission Staff of more than 300. The staff members involved in the case include attorneys who advise on legal issues, engineers who inspect the utility sites and equipment, accountants who audit the utility's books and records, consumer affairs specialists who review complaints against the utilities, and rate and financial analysts who study the dollar issues and the rates and rate structure. The Commission also may employ outside consultants as expert witnesses on complex issues.
3. The Public Counsel is appointed by the Legislature to represent the citizens in rate cases before the Commission. They also have a staff of attorneys, accountants, rate and financial analysts, and they also employ outside consultants as expert witnesses.
4. The Utility Company's officers, division managers and staff personnel testify about the utility, its operation and financial receipts and expenses. The company may also employ outside consultants as expert witnesses and an attorney or other specialists to assist them with the rate case. The accountants, rate analysts and engineers compile information in support of the rate increase request and testify at hearings.
5. Intervenors representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervenor is a party who legally intervenes in the rate case through petition to the Commission to represent a specific interest or point of view in the rate case. The intervenor has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses.

All of these participants are, of course, mainly interested in what the Commission's final decision in the case will be. But before those decisions are made, the case will be studied for months, and volumes of data will be compiled on all aspects of the Utility's operation.

Rate Case Requirements

The case actually begins when the utility writes a letter to the Public Service Commission asking for approval of a "test year". That's the 12-month period for which utility operating data will be examined for a rate case. The data may be compared to results of previous years and adjusted for known changes, such as inflation, after the test period.

The letter signals that the utility is about to ask for a rate increase. The rate case process takes approximately five to twelve months to complete.

After the utility's "test year" is approved by the Chairman of the Commission, the utility files its request for a rate increase. With that, it files minimum filing requirements (MFRs), which include information on the utility's expenses, investments and operations during the test year. The utility files that data, and any additional information necessary, to complete the case.

The Commission's auditors audit the utility's books and records. The Commission, the Public Counsel, and the others involved in the case invariably ask for more information or information in a different form, as the case continues.

The data provides information about the operations of the company, supplies and expenses, taxes, construction, depreciation and all of the operating and financial matters that are crucial to a decision. Among the things for which the Commission looks for are expenditures that could be considered unnecessary or improper. Expenditures of this kind are disallowed for ratemaking purposes. This means the ratepayers do not have to pay for those costs.

PAA Procedures

A utility may ask that its application be processed using the Commission's Proposed Agency Action (PAA) procedure, as Florida Public Utilities Company has done in this case.

Under this procedure, the Commission staff holds a customer meeting in the utility's service territory to obtain information from the customers on the utility's service and other issues regarding the requested rate increase. After the Commission auditors have completed their audit and the Commission staff has reviewed the information filed by the utility and the results of the customer meeting, the staff makes a recommendation to the Commission as to the amount of rate increase that the utility should be granted. This recommendation is presented to the Commission at a public agenda conference in Tallahassee at which the Commissioners consider the staff recommendation and vote on each issue identified by the staff.

The Commission attorneys then prepare a formal order containing the Commission's proposed action, including the new rates and when they will be effective. Substantially affected persons have 21 days after this written order is issued to decide whether to accept the Commission's decision or to request a formal hearing.

If no party protests the order thereby triggering the hearing process, the Commission's decision becomes final, a consummating order is issued, the new rates go into effect, and the docket is closed.

Hearings

If any substantially affected party objects to the Commission's proposed rate increase and requests a formal hearing, then the Commission schedules public hearings on the rate request. These hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Commission during the hearings.

The Commission schedules service hearings to obtain information from customers regarding their water service and technical hearings to conduct a detailed evaluation of all technical, legal and financial issues in the case. These hearings may require two days or more. These hearings are scheduled in the local service area for the customers' convenience. At this time, customer testimony is given regarding quality of service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

The Public Counsel provides legal representation for consumers in matters before the Commission. The Public Counsel participates in major rate cases, has access to all the information filed by the utility, assists members of the public who wish to testify and provides expert witnesses on various issues in the case.

Witnesses from the utility, the Commission staff, the Public Counsel and intervenors present testimony and are cross-examined. There are official transcripts of all hearings. Court Reporters record the hearings, just as they do in a courtroom. These transcripts run hundreds of pages.

Completing the Rate Case

After hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues.

The Commission staff then makes recommendations to the Commissioners on each issue of the case.

When the Commission makes its final decisions there will be a "vote sheet" which is a listing of all the issues requiring a vote by the Commissioners. There are often 20 or more issues in a major water rate case, and it sometimes takes the Commissioners several hours to complete the final review of the case and to vote on each issue based on the evidence in the record.

Commission attorneys prepare a formal order containing the background of the case, the Commission decisions and the basis for the decisions, the new rates, and when they'll be effective.

After the Commission's order is issued, any party may ask the Commission to reconsider any decision on the issues. After reconsideration, the Public Counsel, the utility or any other party may appeal the Commission's decision to the courts.

VI. Florida Public Utilities Company Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in Florida Public Utilities Company's rate case:

<u>Schedule Item</u>	<u>Due Date</u>
Staff Recommendation on Suspension	September 23, 1999
Agenda Conference on Suspension	October 5, 1999
Order on Suspension	October 25, 1999
Audit Report due	October 29, 1999
Customer Meeting	November 3, 1999
Recommendation due on Proposed Agency Action	December 21, 1999
Agenda Conference	January 4, 2000
PAA Order	January 24, 2000
Protest Filed or Docket Closed	February 14, 2000
Prehearing Conference (if protested)	June 19, 2000
Hearing (if protested)	July 12-13, 2000

VII. Location of MFRs for Review

All of the information on file at the Commission is open to the public and is available for review at the Commission offices in Tallahassee. The minimum filing requirements (MFRs) filed by the utility are also available for inspection at Florida Public Utilities Company's local office:

Florida Public Utilities Company
911 South 8th Street
Fernandina Beach, Florida 32034
(904) 261-3663

Customer's comments concerning Florida Public Utilities Company's utility service and its request for an increase in rates should be addressed to the Director of the Division of Records and Reporting at the Florida Public Service Commission and a copy mailed to Florida Public Utilities Company:

Florida Public Service Commission
Director, Division of Records and Reporting
2540 Shumard Oak Blvd
Tallahassee, Florida 32399-0870

Florida Public Utilities Company
Attn: George Bachman, Controller
401 South Dixie Highway
West Palm Beach, Florida 33401

Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following phone number 1-800-342-3552.

All comments should include reference to Commission Docket No. 990535-WU which has been assigned to this case.

CUSTOMER NOTICE

Notice is hereby given, pursuant to Rule 25-22.0407, Florida Administrative Code, that Florida Public Utilities Company has applied to the Florida Public Service Commission for a rate increase for its water service in Nassau County, Fernandina Beach Division, Docket No. 990535-WU. A Rate Increase is necessary to allow the utility to recover the reasonable and prudent costs of providing service and an opportunity to earn a fair and reasonable rate of return.

The following is a comparison of the present and proposed rates:

WATER SERVICE

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Final Rates</u>
Residential		
Base Facility Charge (monthly per meter)		
5/8"	\$ 8.20	\$ 10.45
1"	\$ 18.54	\$ 23.62
2"	\$ 56.51	\$ 72.00
3"	\$ 111.70	\$ 142.32
4"	\$ 208.33	\$ 265.43
Commodity Charge per hundred cubic feet (CCF)		
All CCF's	\$ 0.84	
0-5 CCF's		\$ 0.62
6-20 CCF's		\$ 0.93
>20 CCF's		\$ 1.28
General Service (Commercial, Industrial, and Public Authority)		
Base Facility Charge (monthly per meter)		
5/8"	\$ 8.20	\$ 10.45
1"	\$ 18.54	\$ 23.62
2"	\$ 56.51	\$ 72.00
3"	\$ 111.70	\$ 142.32
4"	\$ 208.33	\$ 265.43
Commodity Charge per hundred cubic feet (CCF)		
All CCF's	\$ 0.84	\$ 1.09
Fire Hydrant Service		
4"	\$ 70.29	\$ 89.56
5"	\$ 107.11	\$ 136.47
6"	\$ 145.07	\$ 184.83
Automatic Sprinkler System Service		
2"	\$ 19.09	\$ 24.32
4"	\$ 70.29	\$ 89.56
6"	\$ 145.07	\$ 184.83
8"	\$ 185.32	\$ 236.12
10"	\$ 265.82	\$ 338.68

<u>Miscellaneous Service Charges</u>	<u>Present Rates</u>	<u>Proposed Final Rates</u>
During Business Hours		
Initial Connection	\$ 5.00	\$ 12.00
Normal Reconnection	\$ 8.00	\$ 12.00
Violation Reconnection	\$ 8.00	\$ 12.00
Premises Visit	\$ 4.00	\$ 8.00
After Business Hours		
Initial Connection	\$ 5.00	\$ 12.00
Normal Reconnection	\$ 8.00	\$ 12.00
Violation Reconnection	\$ 12.00	\$ 18.00

CASE SCHEDULE

The following dates have been established to govern the key activities of this case:

- | | | |
|----|--|--------------------|
| 1. | Customer Meeting | November 3, 1999 |
| 2. | Agenda Conference on Final Rates | January 4, 2000 |
| 3. | Proposed Agency Action Order on Final Rates | January 24, 2000 |
| 4. | Prehearing Conference if Proposed Agency Action Order is Protested | June 19, 2000 |
| 5. | Hearing if Proposed Agency Action Order is Protested | July 12 & 13, 2000 |

This schedule is tentative and subject to change by the Commission.

A copy of the application, minimum filing requirements and synopsis are available for inspection at the Utility's Office as follows:

Florida Public Utilities Company
911 South 8th Street
Fernandina Beach, Florida 32034

Business Hours: 8:00 AM – 5:00 PM
Monday through Friday
(904) 261-3663

Written comments concerning the utility's service or the proposed rate increase should be addressed to the Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and should reference Docket No. 990535-WU. Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

The Commission will be reviewing the utility's service availability charges in the pending rate case and may adjust those charges.

NOTICE issuance date: September 3, 1999

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Florida Public Utilities Company, Docket No. 990535-WU
Fernandina Beach Division, for an Increase in Water
Rates in Nassau County, Florida

NOTICE OF CUSTOMER MEETING

NOTICE IS HEREBY GIVEN that the Staff of the Florida Public Service Commission will hold a customer meeting regarding the application of Florida Public Utilities Company, Fernandina Beach Division (Applicant), for increased rates and charges for water service, at the following time, date, and location:

6:30 PM, Wednesday, November 3, 1999
Fernandina Beach Recreation Center
Auditorium
2500 Atlantic Ave
Fernandina Beach, Florida 32034

PURPOSE

The purpose of the meeting is for the Applicant's customers to provide sworn testimony concerning the quality of service provided by Applicant and such other matters as may pertain to Applicant's application for increased rates and charges.

JURISDICTION

The Florida Public Service Commission is vested with jurisdiction over this matter by virtue of Chapter 367, Florida Statutes. The meeting will be held in accordance with such Chapter and with Chapters 28, 25-9, 25-22, and 25-30, Florida Administrative Code.

This Notice was prepared by Florida Public Utilities Company and approved by the Staff of the Florida Public Service Commission.

NOTICE issuance date: October 11, 1999