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REPLY TO CENTRAL FLORIDA OFFICE

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October 25, 2005

HAND DELIVERY

Ms. Blanca Bayo
Commission Clerk and Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

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COMMISSION
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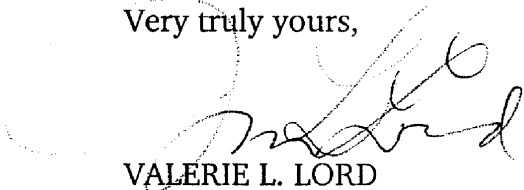
Re: Docket No.: 050281-SU; Application of Plantation Bay Utility Company for Increase
in Water and Wastewater Rates in Volusia County, Florida
Our File No.: 36062.06

Dear Ms. Bayo:

Enclosed please find for filing in this docket one copy of the Rate Case Synopsis.

Should you have any questions regarding these responses, please do not hesitate to
contact me.

Very truly yours,


VALERIE L. LORD
For the Firm

- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- RCA _____
- SCR _____
- SGA _____
- SEC 1
- OTH _____

VLL/tlc
Enclosure

cc: Mr. Troy Rendell, Division of Economic Regulation (by hand delivery) (w/enclosure)
Mr. Douglas R. Ross, Jr. (w/enclosure)

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

ORIGINAL

PLANTATION BAY UTILITY COMPANY
APPLICATION FOR INCREASE IN RATES IN VOLUSIA COUNTY
DOCKET NO. 050281-WS
SYNOPSIS

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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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 must be prepared and distributed by Plantation Bay Utility Company, in Volusia 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 Interim and Final Rates

On August 8, 2005, Plantation Bay Utility Company ("Utility") filed an application with the Florida Public Service Commission ("Commission") for increased water and wastewater rates for its customers in Volusia County. The Application is assigned Docket No.050281-WS and September 1, 2005, was established as the official date of filing.

The Utility has requested a permanent revenue increase for its water and wastewater systems in Volusia County of \$107,153 or 30.95% for its water system and \$403,749 or 179.50% for its wastewater system. The requested increase would produce annual revenues of \$453,391 for its water operations and \$628,669 for its wastewater operations. In addition to requesting an increase in its final rates, the Utility has requested that the Commission approve interim rates designed to generate annual water revenues of \$409,138 and wastewater revenues of \$557,994. This represents a proposed revenue increase of \$62,900 or 18.17% for its water operations and \$333,074 or 148.09% for its wastewater operations. If approved, the interim rates are subject to being refunded with interest, provided the Commission finds that the utility was not entitled to collect such rates pending the final Commission decision. A schedule of the utility's present, and proposed interim and final rates follows:

W A T E R

Residential Service

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
5/8" X 3/4"	\$17.79	\$20.99	\$21.25
3/4"	\$26.68	\$31.48	\$31.88
1"	\$44.49	\$52.50	\$53.13
1 1/2 "	\$88.96	\$104.97	\$106.25
2"	\$142.34	\$167.96	\$170.00
3"	\$284.69	\$335.93	\$340.00
4"	\$444.83	\$524.90	\$531.25
6"	\$889.66	\$1,049.80	\$1,062.50
Gallonge Charge (per 1,000 gallons)	\$2.06	\$2.43	\$3.31

General Service

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
5/8" X 3/4"	\$17.79	\$20.99	\$21.25
3/4"	\$26.68	\$31.48	\$31.88
1"	\$44.49	\$52.50	\$53.13
1 ½ "	\$88.96	\$104.97	\$106.25
2"	\$142.34	\$167.96	\$170.00
3"	\$284.69	\$335.93	\$340.00
4"	\$444.83	\$524.90	\$531.25
6"	\$889.66	\$1,049.80	\$1,062.50
Gallage Charge (per 1,000 gallons)	\$2.06	\$2.43	\$3.31

W A S T E W A T E R

Residential Service

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
5/8" X 3/4"	\$12.70	\$31.50	\$33.94
3/4"	\$19.05	\$47.24	\$50.91
1"	\$31.76	\$78.76	\$84.85
1 ½ "	\$63.02	\$156.29	\$169.70
2"	\$101.61	\$251.99	\$271.52
3"	\$203.22	\$503.99	\$509.10
4"	\$317.53	\$787.47	\$848.50
6"	\$635.02	\$1,574.85	\$1,697.00
Gallage Charge (Maximum 10,000 gallons) (per 1,000 gallons)	\$1.79	\$4.44	\$5.47

General Service

<u>Class/Meter Size</u>	<u>Present Rates</u>	<u>Proposed Interim Rates</u>	<u>Proposed Final Rates</u>
5/8" X 3/4"	\$12.70	\$31.50	\$33.94
3/4"	\$19.05	\$47.24	\$50.91
1"	\$31.76	\$78.76	\$84.85
1 ½ "	\$63.02	\$156.29	\$169.70
2"	\$101.61	\$251.99	\$271.52
3"	\$203.22	\$503.99	\$509.10
4"	\$317.53	\$787.47	\$848.50
6"	\$635.02	\$1,574.85	\$1,697.00
Gallonge Charge (per 1,000 gallons)	\$2.14	\$5.31	\$6.43

III. General Reasons for Rate Request

The Utility is requesting a rate increase because the existing rates do not provide sufficient revenues to cover the required expenses of operations on a going-forward basis and a fair return on the Utility's investment in used and useful property for public use. The Utility has not had a rate increase, other than to adjust its rates for the Commission-established price index in 2003, since 1995. Since that time, the Utility has incurred substantial additional operating costs and made substantial capital investment.

The rate of return on equity requested in this proceeding is 10.41%. The overall return requested (the weighted cost of debt and equity) is 10.20%. The overall rate of return, which the utility is currently earning without a rate increase, is 4.16% for its water operations, and a negative 5.41% for its wastewater operations.

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. What is the test year rate base?
2. What is the test year net operating income?
3. What is the test year cost of capital?
4. What is the test year revenue requirement?
5. What is the proper rate design to recover the test year revenue requirement?

V. Description of the Ratemaking Process

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

1. The Commission is composed of five Commissioners appointed by the Governor. If a Proposed Agency Action Order is protested by a substantially affected person, a hearing is scheduled and is usually heard by a panel of three Commissioners. The Commissioners who hear this case will make a final decision on all of the issues in the case.
2. The Commissioners are assisted by a Commission Staff. The Staff members involved in the case include engineers, accountants, attorneys, consumer affair specialists, and rate and financial analysts.
3. The Public Counsel is appointed by the Legislature to represent the citizens in rate cases before the Commission. Public Counsel also has a staff of attorneys, accountants, rate and financial analysts. The Public Counsel may monitor the case or may participate.
4. The Utility's officers and staff personnel may testify about the utility, its operation, revenue and expenses. The utility 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. Intervenor 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.

Rate Case Requirements: A test year is requested by the utility, and when approved, is used as a measuring point to determine if a rate increase should be approved. The utility files an application pursuant to Commission rules (minimum filing requirements or MFRs). This application reflects the amount of money the utility has invested in its facilities to serve its customers. It also includes the utility's requested rate of return on its investment and the expenses the utility incurs to provide service for the test year. 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. The utility will also be requested to file additional information before the case is over. Among the things the Commission looks for are expenditures that could be considered unnecessary, improper, or imprudent. Expenditures of this kind are disallowed for ratemaking purposes.

The Commission and its staff review the application, and the Commission determines whether interim rates are appropriate to be collected during the pendency of the rate case. If interim rates are authorized and charged, those rates are subject to refund with interest pending the Commission's final decision in the case.

The Commission staff performs an audit of the utility's books and records to see if they match the utility's MFRs, and that the utility is in compliance with Commission rules and policies. The staff auditors issue a report of their findings which is filed with the Commission. The staff also performs other examinations and document requests of the utility's personnel and the utility's quality of service. This includes an engineering physical inspection of the utility's facilities and a review of records filed with other regulatory agencies regarding the utility.

PAA Procedures: A utility may ask that its application be processed using the Commission's Proposed Agency Action (PAA) procedure, as the Utility 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 presented at 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 recommendations 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, and the hearing process is not triggered, 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 case. 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. 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 may even provide 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.

Completing the Rate Case: After the 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 decision, there will be a "vote sheet" which is a listing of all the issues requiring a vote by the Commissioners. There are many issues in a major water and/or wastewater 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, the basis for the decisions, the new rates, and when they will 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. Plantation Bay Utility Company's Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in the Utility's rate case:

<u>Schedule Item</u>	<u>Due Dates</u>
Staff Recommendation on Interim Rates	September 22, 2005
Agenda Conference on Interim Rates	October 4, 2005
Order on Interim Rates	October 24, 2005
Customer Meeting	November 2, 2005
Staff Audit Report	November 3, 2005
Staff's PAA Recommendation	January 19, 2006
Agenda Conference on PAA Rates	January 31, 2006
PAA Order Issued	February 20, 2006
Protest Period Expires	March 13, 2006

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 MFRs filed by the utility are also available for inspection at the following locations:

Ormond Beach Regional Library
30 South Beach Street
Ormond Beach, Florida 32714

(386) 676-4191

Office Hours: Monday thru Thursday 9:00 a.m. to 7:00 p.m.
Friday 9:00 a.m. to 5:00 p.m.
Saturday 9:00 a.m. to 3:00 p.m.
Sunday 1:00 p.m. to 5:00 p.m.

Plantation Bay Utility Company
2379 Beville Road
Daytona Beach, Florida 32119-8720

Office Hours: Monday through Friday 8:00 a.m. to 4:30 p.m.

Customer comments concerning Plantation Bay Utility Company's service and its request for an increase in rates should be addressed to the Director, of the Division of Commission Clerk and Administrative Services at the Florida Public Service Commission:

Florida Public Service Commission
Director, Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

and a courtesy copy of written comments and complaints may be mailed to the following:

Valerie L. Lord, Esquire
Rose, Sundstrom & Bentley, LLP
Sanlando Center
2180 W. State Road 434, Suite 2118
Longwood, Florida 32779

Complaints regarding service may be made to the Commission's Division of Regulatory Compliance and Consumer Assistance at the following phone number 1-800-342-3552, or submitted through the Public Service Commission's toll-free facsimile line 1-800-511-0809. The Commission also has a website available at <http://floridapsc.com/consumers/complaint/index.cfm>.

All comments should include reference to Commission Docket No. 050281-WS, which has been assigned to this case.

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