

State of Florida



ORIGINAL

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

**DATE:** April 6, 2006

**TO:** Blanca S. Bayó, Commission Clerk and Administrative Services Director

**FROM:** *JR* Jay B. Revell, Regulatory Analyst III, Division of Economic Regulation

**RE:** Docket No. 050563-WU - Application for an increase in water rates by Park Water Company

Enclosed are copies of the approved Combined Customer Notice and the Rate Case Synopsis for Park Water's rate case. Please include them in the above docket file.

- CMP \_\_\_\_\_
- COM \_\_\_\_\_
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_
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FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**INITIAL CUSTOMER NOTICE**

**AND**

**NOTICE OF CUSTOMER MEETING**

**RE: DOCKET NO. 050563-WU**

**APPLICATION FOR RATE INCREASE IN POLK COUNTY**

**BY PARK WATER COMPANY, INC.**

**Notices Issued:**

NOTICE is hereby given, pursuant to Rule 25-22.0407, Florida Administrative Code, that Park Water Company, Inc. has applied to the Florida Public Service Commission for a rate increase for its water service in Polk County, Docket No. 050563-WU.

NOTICE is further given that the staff of the Florida Public Service Commission will conduct a customer meeting to discuss Park Water Company's application for a rate increase. The meeting will be held at the following time and place:

6:00 p.m. Thursday, May 18, 2006  
Warner Southern College  
Ministry Center  
13895 Highway 27  
Lake Wales, FL 33859

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. One or more of the Commissioners of the Florida Public Service Commission may attend and participate in this meeting. The meeting will begin as scheduled and will continue until all of the customers have been heard.

In addition to the customer meeting to be held on May 18, 2006 as discussed above, the Public Service Commission staff will be available that afternoon from 2 p.m.– 5p.m. to meet with representatives of customer groups, homeowners associations, and developers who desire a more in-depth discussion of the issues. Appointments may be made for the meeting with Staff by contacting Jay Revell, of the Public Service Commission Staff at (850) 413-6425 no later than Tuesday, May 16, 2006.

All persons who wish to participate in individual meetings are urged to make an appointment, since the individual meetings may be canceled if no appointments are made.

Any person requiring some accommodation at the customer meeting because of a physical impairment should call the Division of the Commission Clerk and Administrative Services at (850) 413-6770 at least 48 hours prior to the meeting. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

#### PURPOSE

The purpose of the meeting is to give customers and other interested persons an opportunity to offer comments to the Public Service Commission regarding the quality of service the utility provides and to ask questions and comment on the rates included in this notice as well as other issues. Staff members will answer questions to the extent possible. A representative from the utility has also been invited to respond to questions.

At the beginning of the meeting, procedures will be established for the order of comments. The Public Service Commission staff will have sign-up sheets, and customers will be

called in the order that they sign up to speak. Public Service Commission staff will be available to coordinate customers' comments and to assist member of the public.

Any person who wishes to comment or provide information to staff may do so at the meetings, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice. Your letter will be placed in the correspondence file of this docket. You may also submit comments through the Public Service Commission's toll-free facsimile line at 1-800-511-0809.

### BACKGROUND

Park Water Company, Inc. is a water utility located in Polk County. It provided service to approximately 783 customers during the test period ended December 31, 2004. As reported in its MFRs, the utility's revenues per books, including utility test year adjustments, are \$270,567, with operating expenses per books, including utility test year adjustments, of \$281,789, respectively, resulting in a net operating loss of \$11,222.

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 utility also plans to renovate significant portions of its existing plant. The last general rate increase of Park Water Company, Inc. was effective September 27, 2000, in Docket No. 991627-WU.

The Company has proposed final rates to recover its costs.

The test period for setting rate is the historical average twelve-month period ended December 31, 2004.

A copy of the application, minimum filing requirements (MFRs) and a rate case synopsis are available for inspection at the following location:

Park Water Company, Inc.  
25 1<sup>st</sup> Avenue North  
Lake Wales, FL 33853

Business Hours: 8:00 a.m. – 5:00 p.m.  
Monday through Friday  
(863) 638-1285

### UTILITY'S CURRENT AND PROPOSED RATES AND CHARGES

The Commission is scheduled to take final action on this case at its July 18, 2006, agenda conference.

A listing of the current rates and the utility's proposed rates on a monthly basis is set forth below:

## WATER SERVICE

Class/Meter Size	Present Rates	Proposed Rates
<b><u>Residential Service:</u></b>		
<u>Base facility charge:</u> 5/8" x 3/4"	\$ 7.06	\$17.71
<u>Gallage charge per 1000 gallons:</u>		
0 – 6,000 gallons	\$1.43	\$3.59
6001 – 12,000 gallons	2.16	5.42
12,001 – 22,000 gallons	2.88	7.22
over 22,000 gallons	4.31	10.81
<b><u>General Service:</u></b>		
<u>Base facility charge:</u> 5/8" x 3/4"	\$7.06	\$17.71
1"	17.65	44.26
1 – 1/2"	35.31	88.55
2"	56.51	141.72
3"	113.02	283.44
4"	176.59	442.87
6"	353.19	885.76
<u>Gallage charge per 1000 gallons:</u>		
<u>5/8"X3/4" Meter:</u>		
0 – 6,000 gallons	\$1.43	\$3.59
6001 – 12,000 gallons	2.16	5.42
12,001 – 22,000 gallons	2.88	7.22
over 22,000 gallons	4.31	10.81
<u>1" Meter:</u>		
0 – 15,000 gallons	\$1.43	\$3.59
15,001 – 30,000 gallons	2.16	5.42
30,001 – 55,000 gallons	2.88	7.22
over 55,000 gallons	4.31	10.81
<u>1 1/2" Meter:</u>		
0 – 30,000 gallons	\$1.43	\$3.59
30,001 – 60,000 gallons	2.16	5.42
60,001 – 110,000 gallons	2.88	7.22
over 110,000 gallons	4.31	10.81

<u>2" Meter:</u>		
0 – 48,000 gallons	\$1.43	\$3.59
48,001 – 96,000 gallons	2.16	5.42
96,001 – 176,000 gallons	2.88	7.22
over 176,000 gallons	4.31	10.81

**Multi-Residential Service:**

<u>Base facility charge:</u>	\$5.65	\$14.17
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Gallonge charge per 1,000 gallons:

0 – 6,000 gallons	\$1.43	\$3.59
6,001 – 12,000 gallons	2.16	5.42
12,001 – 22,000 gallons	2.88	7.22
over 22,000 gallons	4.31	10.81

**SERVICE AVAILABILITY CHARGES**

The company is not requesting any changes to its service availability charges. However, the Commission will review and may adjust such charges.

**PROCEDURES AND SCHEDULE OF THE CASE**

After the customer meeting to be held on May 18, 2006, the Public Service Commission staff will prepare a recommendation that is tentatively scheduled to be submitted to the Public Service Commission on July 6, 2006. The Public Service Commission will then vote on staff's recommendation at its July 18, 2006 Agenda Conference. The Commission will thereafter issue a proposed agency action order containing rates which may be different from those contained in staff's final recommendation. Substantially affected persons have 21 days to protest the Commission's proposed agency action order. Five to ten customers or persons who attend the meeting and who wish to receive a copy of the recommendation and the order may so indicate at the meeting. Those individuals are expected to distribute the information in the recommendation and the order to other customers and interested persons. Anyone who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so by writing to the Commission at the address at the end of this notice.

## HOW TO CONTACT THE COMMISSION

Written comments regarding the utility and the proposed rates, and requests to be placed on the mailing list for this case, may be directed to this address:

Director, Division of the Commission Clerk  
& Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

All correspondence should refer to “Docket No. 050563-WU, Park Water Company, Inc.”

If you wish to contact the Commission regarding complaints about service, you may call the Commission’s Division of Regulatory Compliance and Consumer Assistance at the following toll-free number: 1-800-342-3552.

This notice was prepared by the Company and Commission staff for distribution by the utility to its customers.

**PARK WATER COMPANY, INC.**

**RATE CASE SYNOPSIS**

**DOCKET NO. 050563-WU**



**PARK WATER COMPANY, INC.**  
**RATE CASE SYNOPSIS**  
**DOCKET NO. 050563-WU**

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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 Park Water Company, Inc., in Polk 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 Final Rates**

On November 21, 2005, Park Water Company, Inc. filed an application with the Florida Public Service Commission (Commission) for increased water rates for its customers in Polk County. The application was assigned Docket No. 050563-WU and March 8, 2006 was established as the official date of filing

The utility has requested a permanent increase of \$474,500. The requested increase would produce annual revenues of \$745,067 for its operations. A schedule of the utility's present rates and the proposed permanent rates which would produce these revenues follows:

**SCHEDULE OF PRESENT AND PROPOSED RATES**

Class/Meter Size	Present Rates	Proposed Rates
<b><u>Residential Service:</u></b>		
<u>Base facility charge:</u> 5/8" x 3/4"	\$ 7.06	\$17.71
<u>Gallonge charge per 1000 gallons:</u>		
0 – 6,000 gallons	\$ 1.43	\$3.59
6001 – 12,000 gallons	2.16	5.42
12,001 – 22,000 gallons	2.88	7.22
over 22,000 gallons	4.31	10.81
<b><u>General Service:</u></b>		
<u>Base facility charge:</u> 5/8" x 3/4"	\$ 7.06	17.71
1"	17.65	44.26
1 1/2"	35.31	88.55
2"	56.51	141.72
3"	113.02	283.44
4"	176.59	442.87
6"	353.19	885.76

Gallage charge per 1000 gallons:

5/8"/3/4" Meter:

0 – 6,000 gallons	\$ 1.43	3.59
6001 – 12,000 gallons	2.16	5.42
12,001 – 22,000 gallons	2.88	7.22
over 22,000 gallons	4.31	10.81

1" Meter:

0 – 15,000 gallons	\$ 1.43	\$3.59
15,001 – 30,000 gallons	2.16	5.42
30,001 – 55,000 gallons	2.88	7.22
over 55,000 gallons	4.31	10.81

1 1/2" Meter:

0 – 30,000 gallons	\$ 1.43	\$3.59
30,001 – 60,000 gallons	2.16	5.42
60,001 – 110,000 gallons	2.88	7.22
over 110,000 gallons	4.31	10.81

2" Meter:

0 – 48,000 gallons	\$ 1.43	\$3.59
48,001 – 96,000 gallons	2.16	5.42
96,001 – 176,000 gallons	2.88	7.22
over 176,000 gallons	4.31	10.81

**Multi-Family:**

<u>Base facility charge:</u>	\$ 5.65	14.17
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Gallage charge per 1,000 gallons:

0 – 6,000 gallons	\$ 1.43	3.59
6001 – 12,000 gallons	2.16	5.42
12,001 – 22,000 gallons	2.88	7.22
over 22,000 gallons	4.31	10.81

**SERVICE AVAILABILITY CHARGES**

The company is not requesting any changes to its service availability charges. However, the Commission will review and may adjust such charges.

### III. General Reasons for Rate Request

Park Water Company, Inc. requires a rate increase because the existing rates are insufficient to provide any return on the utility's investment in property used and useful in the public service. The utility also plans to renovate significant portions of its existing plant. The last general rate increase of Park Water Company, Inc. was effective September 27, 2000, in Docket No. 991627-WU. The Company believes that miscellaneous service charges are adequate, and no change is requested for such charges.

The overall rate of return requested is 10.01 % to establish permanent rates. The rate of return on equity (ROE) is 10.10%.

### 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. What is the quality of service provided by the company?
2. What is the test year rate base and how much of the company's property is used and useful in serving the public?
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 rates will recover the revenue authorized to be collected?

### 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 Florida Public Service Commission is composed of five **Commissioners** appointed by the Governor. All five will sit on this rate case. The Commissions will make final decisions on all of the issues in the case.
2. The Commissioners are assisted by a **Commission Staff**, including attorneys, engineers, accountants, consumer affairs 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 actually participate.
4. The **Utility Company's** officers and staff personnel may testify about the utility, its operation, revenue 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.

### 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,” which is 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 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, and it files minimum filing requirements (MFRs), which include information on the utility’s expenses, investments and operations during the test year. The utility will also be requested to file additional information before the case is over.

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 the Commission looks for are expenditures that could be considered unnecessary, improper or imprudent. Expenditures of this kind are disallowed for ratemaking purposes.

### PAA Procedures

Park Water Company, Inc. has asked that its application be processed using the Commission’s Proposed Agency Action (PAA) procedure.

Under this procedure, the Commission staff holds a customer meeting in or near 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 recommendation and vote on each issue identified by the staff. Customers may address the Commission with their concerns about the utility’s requested rate increase at this Agenda Conference.

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, the Commission's decision becomes final, the new rates go into effect, and the docket is closed. If the order is properly protested, however, there will be a hearing before any increase can be approved.

### 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 are scheduled in or near 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 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 hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each part'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 many issues in a major water 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 and 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. Park Water Company, Inc.'s Tentative Time Schedule**

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

<u>Schedule Item</u>	<u>Due Date</u>
Staff Audit Report due	May 1, 2006
Customer Meeting	May 18, 2006
Staff Recommendation due on Proposed Agency Action	July 6, 2006
Agenda Conference on Proposed Rates	July 18, 2006
PAA Order	August 7, 2006
Protest Period Expires	August 28, 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 minimum filing requirements (MFRs) filed by the utility are also available for inspection at Park Water's office at the address listed below:

Park Water Company, Inc. 25 1 <sup>st</sup> Avenue North Lake Wales, FL 33853	Business Hours: 8:00 a.m. – 5:00 p.m. Monday through Friday (863) 638-1285
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Customer comments concerning Park Water Company, Inc.'s utility service and its request for an increase in rates should be sent to the Commission and the Company at the following addresses:

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

Park Water Company, Inc.  
Attn: Anthony Staiano  
25 1<sup>st</sup> Avenue North  
Lake Wales, FL 33853

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.

All comments should include reference to Commission Docket No. 050563-WU, which has been assigned to this case.