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Public Service Commission

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COMMISSION CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: May 4, 2006

TO: Lisa Polak Edgar, Chairman

FROM: Timothy J. Devlin, Director, Division of Economic Regulation *TJD*
Mary Anne Helton, Attorney Supervisor, Office of the General Counsel *MAH*

RE: Docket No. 060253-WS - Application of Utilities, Inc. of Florida for an increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties - Test Year Approval

By letter dated March 20, 2006, Utilities, Inc. of Florida (UIF) requested approval to use a historical test year ended December 31, 2005, for a water and wastewater rate case filing. The company has indicated this requested test year is representative of a normal full year of operation. Further, the utility will file its application using the Proposed Agency Action provision in Section 367.081(8), Florida Statutes.

UIF states that it has made major changes to plant and equipment, but there has been no major changes in operational methods. Further, UIF states it will include pro forma plant additions, as well as, pro forma increases in salaries, salary related benefits, purchased power and other costs included in its application for an increase in water and wastewater rates.

By Order No. PSC-03-1440-PAA-SU, issued December 22, 2003, the Commission issued a final order in the utility's last general rate proceeding. Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 2003 through 2005, as well as the utility's proposed plant additions. Based on our review, we believe the utility is not experiencing significant growth and is proposing to replace and/or improve its water and wastewater systems providing service to existing customers. Therefore, its requested historical test year, with pro forma adjustments for plant and O&M, should be approved. UIF indicated that it intends to submit the minimum filing requirements on or before June 30, 2006. However, since many utilities find it difficult to meet such a short timeframe, the utility is instructed to file the MFRs no later than August 31, 2006.

c: Dr. Mary Bane, Executive Director
Charles H. Hill, Deputy Executive Director
Betty Ashby
Division of Economic Regulation (Willis, Rendell)
Division of the Commission Clerk and Administrative Services

DMP _____
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LISA POLAK EDGAR
CHAIRMAN

STATE OF FLORIDA



CAPITAL CIRCLE OFFICE CENTER
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6044

Public Service Commission

May 4, 2006

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

Re: Docket No. 060253-WS - Application for an increase in water and wastewater rates by Utilities Inc. of Florida

Dear Ms. Lord:

The Florida Public Service Commission has received your letter dated March 20, 2006, requesting approval for Utilities Inc. of Florida (UIF) to use a historical test year ended December 31, 2005, with pro forma plant and operating expenses adjustments, for establishing final rates. You state the utility will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), F.S. Pursuant to Rule 25-30.430, F.A.C., the utility's test year request as outlined above is hereby approved.

For administrative purposes only, Docket No. 060253-WS has been assigned to the forthcoming case. Your petition will be deemed filed on the date the Division of the Commission Clerk and Administrative Services receives the complete petition, the MFRs, and the filing fee. To process this case expeditiously, we request that you file the above no later than August 31, 2006.

Pursuant to Section 367.083, F.S., the time period for processing the PAA request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date that complete corrections to any deficiencies are filed. Please note that many schedules included in the MFRs are designed with a column titled "Balance Per Books." This column must reflect the balances on the general ledger and be reconciled with the balances reported in the utility's Annual Report on file with the Commission. This requirement is applicable to all primary account balances as required by the NARUC Uniform System of Accounts. Pursuant to Rule 25-30.110(2), F.A.C., all data the Commission requests and requires to be submitted in determining a utility's rates "shall be consistent with and reconcilable with the utility's annual report to the Commission."

In addition, the utility should satisfactorily document that it has recorded all adjustments to the utility's general ledger and accounts that have been ordered by the Commission in any prior proceeding relating to this system. If adjustments were ordered for prior periods that have any impact

Ms. Valerie Lord

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on subsequent years, the related adjustments shall also be made to reflect the impact for the appropriate period up to and including the approved test year. Further, the utility should be prepared to justify its requested test year operation and maintenance expenses, particularly those which have increased above the level of customer growth and inflation for the year ended five years prior to the test year.

The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, F.S., and the lengthy auditing and investigation required, information not filed with the original application may not be considered.

Sincerely,

Lisa Polak Edgar
Chairman

LPE:wtr

cc: Dr. Mary Bane, Executive Director
Charles H. Hill, Deputy Executive Director
Betty Ashby
Division of Economic Regulation (Willis, Rendell, Hudson, Revell, Biggins, Merta, Edwards)
Office of the General Counsel (Helton, Jaeger)
Division of the Commission Clerk and Administrative Services
Harold McLean, Office of Public Counsel