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DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

June 5, 2008

John McBride
6066 S.E. Riverboat Drive
Stuart, FL 34997

RECEIVED-FPSC
08 JUN -6 PM 3:32
COMMISSION
CLERK

Re: Miles Grant Water and Sewer Company - Docket No. 070695-WS

Dear Mr. McBride:

Thank you for your letter dated May 29, 2008 in which you expressed your concerns about a rate increase petition filed by Miles Grant Water and Sewer Company (Miles Grant or Utility). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review.

With respect to the development of rates, the Commission is required to set rates that are just, reasonable, compensatory, and not unfairly discriminatory. To determine the appropriate rates for service, the Commission uses a rate of return methodology as set forth in Chapter 367, Florida Statutes (F.S.). Under the rate of return methodology, a utility is allowed to earn a reasonable return on its prudently invested property that is used and useful in serving the public, less accrued depreciation plus an allowance for operating capital. This ratemaking process is used for all water and wastewater companies and is also used in the electric and gas industry. It is the same approach used throughout the country by various state and federal utility regulatory bodies.

There are many factors that affect the cost of providing service and hence, the rates charged to customers. Some factors affecting the cost of providing service include: the size and age of the utility system; the quality of the water at its source; the number of customers; and the geographic spread of the service area. During a rate case, the Commission's accountants, engineers and economists examine the financial and engineering information filed by the Utility as part of its rate increase application. The Commission's auditors also examine this information and publish the results of their findings in an audit report. All costs found to be imprudent or unreasonable are disallowed.

We understand your concerns regarding the Utility's proposed increases. Miles Grant filed for interim relief. In accordance with Section 367.082, F.S., the Commission is required to process Interim Rate Requests within 60 days of the filing. The Commission is required to allow the collection of rates sufficient for the Utility to earn the minimum of its approved range. As the time frame to process the interim request is 60 days, the statute dictates that the company need only make a prima facie showing that it is earning outside the range of reasonableness as established in the company's previous rate case. The interim increase is, however, subject to refund with interest based on the commercial paper rate. The interim increase will be refunded to the extent that the Commission finds that it was not warranted.

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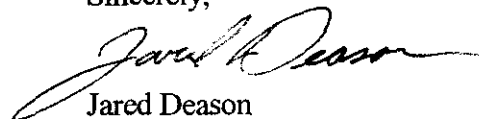
In your letter, you indicated that when you are away from your home, you still receive a very high bill for water and wastewater service. I would like to take this opportunity to explain why you are assessed charges even when you are away. The water lines that bring water to your home must be continually maintained to ensure they function properly everyday. The utility faces costs to maintain the system and to ensure service is available whenever you turn on a faucet. While you may not require service every day of the year, service must be available at your demand. Most utilities, whether water, electric, or natural gas, operate the same way. A bill will be issued to the customer for a base charge that represents the fixed costs necessary to maintain the system and meet its obligation to provide service whenever the customer requires it.

If you wish, you may take an additional opportunity to voice your concerns regarding this matter at the customer meeting to be held in your service area. You will be receiving a notice from Miles Grant that provides information about the customer meeting.

The purpose of the customer meetings 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 the proposed rate increase. Customers will also be given the opportunity to ask questions or make comments on other issues. Commission staff will be available to address and coordinate customers' comments and to assist members of the public. One or more Commissioners of the Florida Public Service Commission may also attend the meeting.

I hope the above information has been helpful. If you have any additional questions, or require further assistance, please call me at (850) 413-6844 or e-mail me at jdeason@psc.state.fl.us.

Sincerely,



Jared Deason

Regulatory Analyst IV

cc: Division of Economic Regulation (Bulecza-Banks, Fletcher)
Office of the General Counsel (Hartman)
~~Office of Commission Clerk (Docket No. 070695-WS)~~
Office of Public Counsel