

Law Offices

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June 17, 1997

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## VIA HAND DELIVERY

Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Application for Increased Water Rates by Hobe Sound Water Company (HSWC) in Martin County, Docket No. 970164-WU

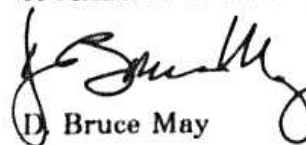
Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of The Hobe Sound Water Company's response to Florida Public Service Commission staff's request for additional information dated May 20, 1997.

For purpose of our records, please acknowledge your receipt of this filing on the enclosed copy of this letter. Thank you for your consideration in this matter.

Sincerely,

HOLLAND & KNIGHT LLP



D. Bruce May

Enclosure  
DBM/kdw

cc: Ms. Jennie Lingo  
Ms. Roseanne Capeless  
Mr. Troy Rendell  
Mr. Lee Monroe

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Blanca S. Bayo  
June 17, 1997  
Page 2

Mr. Jack Shreve, Office of Public Counsel  
Mr. Michael Carfine  
Mr. John F. Guastella

TAL-109926

THE HOBE SOUND WATER COMPANY  
DOCKET NO. 970164-WU

FLORIDA PUBLIC SERVICE COMMISSION  
DOCUMENT / RECORD REQUEST

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Request by J. Lingo 1. Please provide actual bills and consumption data for each of the calendar years ended December 31, 1992 and December 31, 1994. This data should be provided in the same format as shown on Attachment A.

Response 1: This information is not available in the form requested. Attachment A would require a consolidated factor bill analysis by customer location for customers within the same customer class. The Company is not required to, and does not maintain, information at the level of detail requested.

The Company's billing system is unable to perform a consolidated factor bill analysis. The billing analyses utilized for rate setting purposes require detailed billing information provided by the billing system to be input in a separate program designed to analyze consumption at incremental levels and perform a consolidated factor bill analysis.

Although the Company's billing information and consumption data for the calendar years ended December 31, 1992 and December 31, 1994 is not available in the format requested, the Company does maintain a summary of 1992 and 1994 billing information by meter book. This information is attached. Meter books 3, 4 and 6 cover the service area on the mainland (the information available does not distinguish customers by group). Meter books 1, 2 and 5 cover the service area of Jupiter Island. For the purposes of this response and because more detailed information is not available for these historical periods, books 1 and 2 are listed as residential customers (although there exist a few exceptions for municipal bldgs., churches, etc.). Book 5 is general service meters within the Jupiter Island Club properties.

The source documents for the data summarized below are the "Conservation Analysis" schedules submitted to the FPSC per Docket No. 900656-WU.

Request by 1. Page 2  
J. Lingo

Response 1: (Cont.)

For the Period: January - December 1992  
Mainland (Books 3, 4 & 6)

	Residential / G.S.	
	No. of Bills	Total kGals
Jan.	742	10,724.7
Feb.	742	10,470.0
Mar.	742	13,366.3
Apr.	741	11,597.2
May	747	13,887.3
Jun.	751	16,302.6
Jul.	749	14,500.7
Aug.	754	11,887.3
Sep.	755	8,824.8
Oct.	755	14,447.8
Nov.	751	9,774.3
Dec.	755	11,330.1
<b>Total</b>	<b>8,984</b>	<b>147,113.1</b>

Jupiter Island (Books 1, 2 & 5)

	Residential		General Service		Total	
	No. of Bills	Total kGals	No. of Bills	Total kGals	No. of Bills	Total kGals
Jan.	434	27,425.1	51	7,360.0	485	34,785.1
Feb.	436	28,018.3	51	8,058.7	487	36,077.0
Mar.	435	36,712.2	51	10,599.6	486	47,311.8
Apr.	436	31,784.1	51	9,482.1	487	41,266.2
May	436	47,183.2	51	9,877.7	487	57,060.9
Jun.	439	37,303.5	51	8,343.1	490	45,646.6
Jul.	436	52,281.6	51	12,194.4	487	64,476.0
Aug.	437	39,394.4	51	10,847.4	488	50,241.8
Sep.	438	29,940.5	50	3,814.4	488	33,754.9
Oct.	439	40,745.8	50	4,249.1	489	44,994.9
Nov.	438	35,758.2	50	4,168.4	488	39,926.6
Dec.	438	34,420.1	50	17,890.6	488	52,310.7
<b>Total</b>	<b>5,242</b>	<b>440,967.0</b>	<b>608</b>	<b>106,685.5</b>	<b>5,850</b>	<b>547,652.5</b>

Request by 1. Page 3  
J. Lingo

Response 1: (Cont.)

For the Period: January - December 1994  
Mainland (Books 3, 4 & 6)

	Residential		General Service		Total	
	No. of Bills	Total kGals	No. of Bills	Total kGals	No. of Bills	Total kGals
Jan.	770 *	8,812.8 *			770	8,812.8
Feb.	769 *	8,705.1 *			769	8,705.1
Mar.	767 *	12,973.8 *			767	12,973.8
Apr.	769 *	11,071.0 *			769	11,071.0
May	772 *	12,504.1 *			772	12,504.1
Jun.	772 *	10,642.3 *			772	10,642.3
Jul.	656	9,393.8	118	3,759.2	774	13,153.1
Aug.	658	5,997.3	118	3,146.5	776	9,143.8
Sep.	653	6,552.5	118	3,499.0	771	10,051.4
Oct.	653	5,729.6	118	2,835.3	771	8,564.9
Nov.	661	6,415.3	118	2,990.9	779	9,406.2
Dec.	649	5,835.1	118	2,590.9	767	8,426.0
Total	8,549	104,632.7	708	18,821.7	9,257	123,454.4

Note (\*): The Jan. - June mainland residential information contains both residential and general service data.

Jupiter Island (Books 1, 2 & 5)

	Residential		General Service		Total	
	No. of Bills	Total kGals	No. of Bills	Total kGals	No. of Bills	Total kGals
Jan.	436	27,324.7	51	5,594.4	487	32,919.1
Feb.	435	26,287.0	51	4,883.1	486	31,170.1
Mar.	434	34,580.8	51	10,165.0	485	44,745.8
Apr.	436	34,527.3	51	9,639.5	487	44,166.8
May	437	37,295.3	51	8,902.1	488	46,197.4
Jun.	437	29,290.8	51	9,747.6	488	39,038.4
Jul.	439	39,602.3	51	3,298.6	490	42,901.1
Aug.	439	26,447.1	51	8,197.5	490	34,644.6
Sep.	439	30,587.9	51	2,754.0	490	33,341.9
Oct.	440	31,361.2	51	2,831.7	491	34,192.9
Nov.	440	32,047.3	51	3,366.2	491	35,413.5
Dec.	438	29,034.4	51	2,962.1	489	31,996.5
Total	5,250	378,366.1	612	72,341.9	5,862	450,728.0

Request by J. Lingo 2. Please provide actual bills and consumption data for the three month period January 1995 - March 1995. This data should be provided in the same format as shown on Attachment A.

Response 2: For the Period: January - March 1995

	No. of Bills	0 - 10 kgal	10 - 40 kgal	40 + kgal	Total Gals
<b>Residential - Mainland</b>					
<b>Meter Size</b>					
5/8"	1,970	11,069.9	906.1	947.5	20,923.5
1"	24	151.7	73.4	41.2	266.3
1 1/2"	0	0.0	0.0	0.0	0.0
2"	0	0.0	0.0	0.0	0.0
<b>Subtotal</b>	<b>1,994</b>	<b>11,221.6</b>	<b>9,979.5</b>	<b>988.7</b>	<b>21,189.8</b>
<b>Residential - Jupiter Island</b>					
<b>Meter Size</b>					
5/8"	74	423.3	787.0	1,532.7	2,743.0
1"	488	2,799.6	6,233.9	12,569.2	21,602.7
1 1/2"	426	2,883.9	6,804.2	17,933.1	27,421.2
2"	291	1,842.3	4,750.3	18,122.1	24,714.7
<b>Subtotal</b>	<b>1,277</b>	<b>7,749.1</b>	<b>18,575.4</b>	<b>50,157.1</b>	<b>76,481.8</b>
<b>General Service - Mainland</b>					
<b>Meter Size</b>					
5/8"	156	n/a	n/a	n/a	1,413.2
1"	96	n/a	n/a	n/a	1,823.7
1 1/2"	48	n/a	n/a	n/a	2,352.8
2"	3	n/a	n/a	n/a	481.4
3"	6	n/a	n/a	n/a	39.9
4"	0	n/a	n/a	n/a	0.0
<b>Subtotal</b>	<b>309</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6,111.0</b>
<b>General Service - Jupiter Island</b>					
<b>Meter Size</b>					
5/8"	30	n/a	n/a	n/a	750.9
1"	51	n/a	n/a	n/a	12,957.8
1 1/2"	87	n/a	n/a	n/a	5,078.7
2"	24	n/a	n/a	n/a	2,031.1
3"	0	n/a	n/a	n/a	0.0
4"	3	n/a	n/a	n/a	2,799.7
<b>Subtotal</b>	<b>195</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>23,618.2</b>
<b>TOTALS</b>	<b>3,775</b>	<b>18,970.7</b>	<b>27,554.9</b>	<b>51,145.8</b>	<b>127,400.8</b>

This information is a summary of the data furnished on the "Quarterly P.S.C. Report", see attached.

ATTACHMENT  
TO RESPONSE #2

THE HOBE SOUND WATER COMPANY  
QUARTERY P.S.C. REPORT  
MARCH 1995

Jupiter Island Residential

	Consumption	Water Charge	Meter Charge	# of Customers	Adjustments
5/8" Block One	207,900	\$162.14	\$304.71	26	\$469.67
Block Two	332,200	\$584.64			
Block Three	655,700	\$1,534.32			
1" Block One	1,318,300	\$1,028.13	\$4,947.05	163	
Block Two	2,824,200	\$4,970.45			
Block Three	4,386,000	\$10,262.91			
1 1/2" Block One	1,342,600	\$1,047.17	\$8,834.44	146	
Block Two	3,347,300	\$5,891.14			
Block Three	6,737,400	\$15,765.18			
2" Block One	884,400	\$689.80	\$9,322.56	96	
Block Two	2,157,900	\$3,797.81			
Block Three	6,741,300	\$15,774.37			
J. I. RESID. SUBTOTAL	30,935,200	\$61,508.06	\$23,408.76	431	\$469.67

Mainland Residential

5/8" Block One	4,888,700	\$3,811.95	\$7,946.05	658	\$60.00
Block Two	3,018,000	\$5,310.38			
Block Three	426,900	\$998.88			
1" Block One	70,600	\$55.05	\$242.80	8	
Block Two	55,700	\$98.02			
Block Three	41,200	\$96.40			
MAINLAND RESID. SUBTOTAL	8404200	\$10,176.26	\$8,188.85	666	\$60.00
TOTAL RESIDENTIAL	39,339,400	\$71,684.32	\$31,597.61	1097	\$529.67

Jupiter Island Commercial

	Consumption	Water Charge	Meter Charge	# of Customers	Adjustments
5/8"	279,800	\$408.47	\$121.40	10	
1"	11,217,000	\$1,637.59	\$515.95	17	
1 1/2"	1,986,600	\$2,900.38	\$1,729.67	29	
2"	716,500	\$1,046.07	\$776.88	8	
3"					
4"	100,236	\$10,603.22	\$303.46	1	
J.I. COMM. SUBTOTAL	14,300,136	\$16,595.73	\$3,447.36	65	\$0.00

Mainland Commercial

5/8"	452,900	\$661.24	\$631.28	52	
1"	678,000	\$989.86	\$971.20	32	
1 1/2"	856,800	\$1,250.92	\$971.04	16	
2"	170,100	\$248.34	\$97.11	1	
3"	26,750	\$39.04	\$388.44	2	
4"					
MAINLAND COMM. SUBTOTAL	2,184,550	\$3,189.40	\$3,059.07	103	\$0.00
TOTAL COMMERCIAL	16,484,686	\$19,785.13	\$6,506.43	168	\$0.00

TOTALS	55,824,086	\$91,469.45	\$38,104.04	1265	\$529.67
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**THE HOBE SOUND WATER COMPANY  
QUARTERY P.S.C. REPORT  
FEBRUARY 1995**

**Jupiter Island Residential**

	Consumption	Water Charge	Meter Charge	# of Customers	Adjustments
5/8" Block One	187,800	\$146.46	\$72.84	24	
Block Two	331,500	\$583.40	\$121.40		
Block Three	533,300	\$1,247.89	\$97.12		
1" Block One	1,283,200	\$1,000.73	\$1,758.26	161	\$30.00
Block Two	2,476,400	\$4,358.24	\$1,517.50		
Block Three	2,785,100	\$6,516.90	\$1,729.95		
1 1/2" Block One	1,233,400	\$961.96	\$2,063.46	140	
Block Two	2,513,000	\$4,422.72	\$2,488.29		
Block Three	3,561,400	\$8,333.46	\$4,005.54		
2" Block One	883,500	\$689.08	\$1,711.56	98	
Block Two	1,974,600	\$3,475.18	\$2,913.30		
Block Three	4,646,900	\$10,873.57	\$4,952.61		
<b>J. I. RESID. SUBTOTAL</b>	<b>22,410,100</b>	<b>\$42,609.59</b>	<b>\$23,431.83</b>	<b>423</b>	<b>\$30.00</b>

**Mainland Residential**

5/8" Block One	4,259,300	\$3,320.74	\$5,025.96	656	\$80.00
Block Two	1,925,400	\$3,387.73	\$2,804.34		
Block Three	66,300	\$155.09	\$97.12		
1" Block One	45,200	\$35.24	\$182.10	8	
Block Two	17,700	\$31.14	\$60.70		
<b>MAINLAND RESID. SUBTOTAL</b>	<b>6,313,900</b>	<b>\$6,929.94</b>	<b>\$8,170.22</b>	<b>664</b>	<b>\$80.00</b>
<b>TOTAL RESIDENTIAL</b>	<b>28,724,000</b>	<b>\$49,539.53</b>	<b>\$31,602.05</b>	<b>1087</b>	<b>\$110.00</b>

Jupiter Island Commercial

	Consumption	Water Charge	Meter Charge	# of Customers	Adjustments
5/8"	231,100	\$337.37	\$121.40	10	
1"	936,400	\$1,367.07	\$515.95	17	
1 1/2"	1,445,700	\$2,110.65	\$1,760.01	29	
2"	655,200	\$956.59	\$776.88	8	
3"					
4"	2,629,310	\$3,838.78	\$303.46	1	
J.I. COMM. SUBTOTAL	5,897,710	\$8,610.46	\$3,477.70	65	\$0.00

Mainland Commercial

5/8"	430,500	\$628.37	\$631.28	52	
1"	617,500	\$901.44	\$971.20	32	
1 1/2"	673,400	\$983.11	\$971.04	16	
2"	159,600	\$233.01	\$97.11	1	
3"	7,580	\$11.05	\$388.44	2	
4"					
MAINLAND COMM. SUBTOTAL	1,888,580	\$2,756.98	\$3,059.07	103	\$0.00
TOTAL COMMERCIAL	7,786,290	\$11,367.44	\$6,536.77	168	\$0.00
TOTALS	36,510,290	\$60,906.97	\$38,138.82	1255	\$110.00

**THE HOBE SOUND WATER COMPANY**  
**QUARTERY P.S.C. REPORT**  
**JANUARY 1995**

**Jupiter Island Residential**

	Consumption	Water Charge	Meter Charge	# of Customers	Adjustments
5/8" Block One	27,600	\$21.52	\$145.68	24	
Block Two	123,300	\$148.41	\$84.98		
Block Three	343,700	\$639.26	\$60.70		
1" Block One	198,100	\$181.68	\$2,003.10	162	
Block Two	933,300	\$1,235.08	\$1,305.04		
Block Three	5,398,100	\$10,903.11	\$1,699.60		
1 1/2" Block One	107,900	\$84.15	\$1,893.53	140	
Block Two	943,900	\$1,274.64	\$2,427.60		
Block Three	7,634,300	\$15,470.49	\$4,224.03		
2" Block One	74,400	\$155.37	\$1,903.36	97	\$5.00
Block Two	617,800	\$812.92	\$2,719.08		\$15.00
Block Three	6,733,900	\$13,973.45	\$5,013.30		
<b>J. I. RESID. SUBTOTAL</b>	<b>23,136,300</b>	<b>\$44,900.08</b>	<b>\$23,480.00</b>	<b>423</b>	<b>\$20.00</b>

**Mainland Residential**

5/8" Block One	1,921,900	\$1,723.38	\$5,091.12	656	\$25.00
Block Two	3,962,700	\$4,803.79	\$2,775.61		
Block Three	454,300	\$832.06	\$84.98		
1" Block One	38,600	\$30.11	\$242.80	8	
<b>MAINLAND RESID. SUBTOTAL</b>	<b>6,377,500</b>	<b>\$7,389.34</b>	<b>\$8,194.51</b>		<b>\$25.00</b>
<b>TOTAL RESIDENTIAL</b>	<b>29,513,800</b>	<b>\$52,289.42</b>	<b>\$31,674.51</b>	<b>1037</b>	<b>\$45.00</b>

Jupiter Island Commercial

	Consumption	Water Charge	Meter Charge	# of Customers	Adjustments
5/8"	240,000	\$350.41	\$121.40	10	
1"	804,400	\$1,174.41	\$515.95	17	
1 1/2"	1,646,400	\$2,403.74	\$1,760.01	29	
2"	659,400	\$962.72	\$776.88	8	
3"					
4"	70,240	\$102.55	\$303.46	1	
J.I. COMM. SUBTOTAL	3,420,440	\$4,993.83	\$3,477.70	65	\$0.00

Mainland Commercial

5/8"	529,900	\$764.95	\$631.28	52	\$10.00
1"	528,200	\$764.10	\$971.20	32	
1 1/2"	822,600	\$1,201.01	\$971.04	16	
2"	151,700	\$221.48	\$97.11	1	
3"	5,540	\$1.52	\$194.22	2	
4"					
MAINLAND COMM. SUBTOTAL	2,037,840	\$2,953.06	\$2,864.85	103	\$10.00
TOTAL COMMERCIAL	5,458,280	\$7,946.89	\$6,342.55	168	\$10.00
TOTALS	34,972,080	\$60,236.31	\$38,017.06	1255	\$55.00

- Request by J. Lingo
3. Please refer to Volume IV of the utility's MFRs, under the page entitled "Work Paper Customer Growth."
- a) Please provide any underlying workpapers and/or supporting documents which formed the basis of the customer growth workpaper referenced above.
  - b) What forecasting methodology (i.e., averaging or regression), if any, was used to develop the projected customer growth referred to in (a) above?
  - c) Please explain the utility's rationale for selecting the methodology provided in response to (b).
  - d) What historical period (e.g., July 1991 - June 1996) did the utility analyze to formulate its projections for the additional connections shown on the customer growth workpaper, and what was the basis for selecting that particular period?
  - e) Please provide a breakdown of the projected additional connections, in the format shown below:

	<u>Mainland</u>	<u>Jupiter Island</u>
RS		
GS		
Total	40	14
  - f) Why does the utility believe that all of the projected growth on Jupiter Island will be in the 1" meter size category?
  - g) Why does the utility believe that all of the projected growth on mainland will be in the 5/8" meter size category?
  - h) Why does the utility believe that almost 80% of the projected growth on both Jupiter Island and the mainland will occur during the period July 1997 - June 1998?

- 
- Response 3:
- a) In mid-year 1995, the Company prepared the attached 18 month projection which is based on forecasted property sales within its service area. When preparing similar information for this rate case, the Company determined that the timeframe of growth in the 1995 forecast had been delayed and that the same growth projections would apply to the period of July 1996 - June 1998. The growth projections reflected in the MFRs are based on the attached forecast of property sales furnished by the Company.
  - b) The forecast is based on known property availability and anticipated sales activity within the Company's service area.
  - c) The use of specific knowledge as to growth is, in this case, more reliable than averaging or regression of statistical data.
  - d) The Company furnished the forecasted growth covering the period of July 1996 - June 1998. It did not use historical data, but rather anticipated sales based on direct knowledge of local conditions.
  - e) All growth is projected to occur for residential service only.
  - f) The residential growth projected on Jupiter Island is expected to occur at the 1" meter size for three reasons: (1) most recent historical growth has occurred within this meter class, (2) greater awareness by the utility's customers that meter size is a determinant for the base facility charge, and (3) recent activity to down-size meters by existing customers.

Request by 3. Page 2  
J. Lingo

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- Response 3:
- g) The residential growth projected on the mainland is expected to occur at the 5/8" meter size for four reasons: (1) most recent historical growth has occurred within this meter class, (2) greater awareness by the utility's customers that meter size is a determinant for the base facility charge, (3) recent activity to down-size meters by existing customers, and (4) the vast majority of the existing customers utilize 5/8" meters.
  - h) Due to the delay of the sale of the Hobe Sound Company, the principal land owner involved in the anticipated property development and sales, it is the Company's judgment that a majority of the potential property transactions will occur in the last 12 months of the 24 month growth forecast.

**CONNECTION PROJECTION thru DECEMBER 1996**

Jupiter Island - Book 1

Because most of the available property within this section of the Island has been developed, additional meter connections should be minimal. There is one factor which could alter this projection. The Hobo Sound Company presently owns approximately twelve (12) building sites within this section; if the sale of the majority shares occurs during this timeframe, I would expect quick sales on at least eight (8) parcels.

**Projected Additional Connections - 10**

Jupiter Island - Book 2

This section of the Island could, in the future, bring about a more significant increase in service. This area consists of many large estates, which could be subdivided in years to come. Given the relatively short timeframe, the chances for multiple developments are slight.

**Projected Additional Connections - 4**

Olympia #1 - Book 3

The opportunity for growth within this section is extra large. The Hobo Sound Company owns approximately ninety-five (95) buildable lots. Since the majority shareholders are eagerly attempting to sell their shares and have been in negotiations for a period of time, it appears likely that a deal will be consummated in the near future. Once a deal is finalized, it would appear that at least 40% of the land holdings would be sold immediately.

**Projected Additional Connections - 38**

Olympia #4 - Book 4

This low-income housing community should not experience unusual growth; historical records demonstrate low, steady increase.

**Projected Additional Connections - 2**

Hobo Sound Company - Book 5

Presently there is no intention of new construction; however, a new majority owner could signal a change in focus and some of the many proposed renovation projects could move higher in priority.

**Proposed Additional Connections - 0**

Englewood - Book 6

This planned community is built-out.

**Proposed Additional Connections - 0**

- Request by J. Lingo
4. Please refer to Volume IV of the utility's MFRs, under the page entitled "Meter & ERC Analysis Workpaper".
- Is the information regarding the change in gallons per ERC for the years 1991 - 1998 provided on a calendar year basis?
  - If the response to (a) is negative, is the information provided for the period July - June of the respective years presented?
  - If the response to (b) is negative, please indicate the time period covered by each year's analysis.
  - Why did the utility use an averaging methodology to project the 2.54% annual reduction in consumption, rather than use another (e.g., regression) methodology to project the consumption reduction?
  - Please provide any underlying workpapers and/or supporting documents which formed the basis of the 2.54% anticipated consumption reduction that is projected for 1998. In particular, please ensure that the underlying information for the years 1996 and 1997 are provided.
- 

- Response 4:
- The information on this work paper represents information for the calendar year for 1991 and 1992 (compiled for the 1994 rate case based on calendar year test periods) and for June-July periods for 1993-1998.
  - See response (a).
  - See response (a).
  - This methodology is consistent with that utilized in past rate cases by the Company. Averaging actual, historical usage patterns is believed to produce more accurate results when measuring the impact of price elasticity than does other methodologies such as regression analyses which have no direct correlation to the impacts of rate increases on customer consumption.  
  
The usage for the years following the 1991 and 1994 rate increases show the historical impact of price elasticity on system demand. A conservative and reasonable estimate of price elasticity has been generally considered that a 10% rate increase will result in a 1% decline in consumption. The averaging methodology produces a reasonable result (2.54% demand reduction relative to the Company's proposed 25.33% rate increase).
  - The July 1992 - June 1996 information reflects the information detailed on the preceding work paper in Volume IV entitled "Water Production vs Water Usage". The information for July 1996 - June 1998 is developed on Schedules E-2 of the MFRs.



- Request by J. Lingo
5. Please refer to Volume IV of the utility's MFRs, under the page entitled "Workpaper - Rates II".
- What methodology (i.e., averaging or regression) did the utility use to prepare its consumption forecasts for 1997 and 1998?
  - Please explain the utility's rationale for selecting the methodology provided in response to (a).
  - What factors does the utility believe are primarily responsible for affecting consumption, and how does the forecasting methodology used in this case adequately capture these factors?

- 
- Response 5:
- The 1997 consumption forecast utilized in the MFRs is based on the average consumption levels established in the billing analysis for the period of 7/1/95-6/30/96.

Workpaper - Rates II uses the average consumption per bill for Block 1 for the twelve months ended 6/30/96 (per the consolidated factor bill analysis - Volume II) and applies that consumption to the number of bills for the period 7/1/97-6/30/98. The first consumption block represents essential household consumption which would not be price or weather sensitive. The average usage for Blocks 2, 3, and general service for the period of 7/1/95-6/30/96 was applied to the number of bills for the period of 7/1/97-6/30/98 and reduced by a factor of 3.34% to reflect an overall consumption reduction of 2.54% which is the historical average decline in customer usage.

- This methodology is consistent with that utilized in the past rate case and produced a conservative result when measured against actual usage over the period since the last rate adjustment. The Company believes this conservative approach is a reasonable methodology for projecting the impact of price elasticity.
- There are three primary factors that impact consumption: (1) pricing, (2) weather, and (3) customer growth.

The consumption forecast reduces Block 2 usage to capture the rate increase impact on high consumption mainland customers, reduces Block 3 usage to capture the rate increase impact on high consumption island customers, and general service usage is reduced to capture the rate impact on the price-sensitive customers within this group.

Weather impacts on the Company's consumption forecast are reasonably normalized by use of the 1991 through 1996 six year historical average.

All averages are applied to projected bill data to account for customer growth.

The methodology used in the MFRs adequately capture the primary impacts on customer consumption. The use of alternative or more sophisticated methodology would not assure more accurate results for forecasting purposes.

- Request by J. Lingo
6. in consideration of the need to evaluate the effects of the utility's unique increasing-block rate structure, by Order No. PSC-1452-FOF-WU, the Commission ordered the utility to compile and submit monthly reports containing the number of customer bills, gallons billed and revenues collected. This information is provided separately for each customer class, meter size, and usage block, separated between customers located on the mainland versus those customers located on Jupiter Island.
- a) How did the utility use the information contained in the reports when formulating its anticipated 2.54% consumption reduction and its proposed gallonage charge rate block factors of 1.0, 2.0 and 2.5?
- b) Please reconcile the discrepancies between the data contained in the above-referenced reports for the period July 1995 - June 1996 versus the data contained in Volume II of the utility's MFRs, under the page entitled "Bill Analysis Summary".

- Response 6:
- a) This information was not used for the formulation of the consumption reduction or the block rate factors. The methodology used to calculate the 2.54% reduction is explained in response #4 and #5. The Company is not seeking to change the block rate structure from that proposed and accepted in the last rate order and therefore used the factors consistent with that filing.

	No. of Bills			Consumption		
	BA	PSC	Diff.	BA	PSC	Diff.
<b>July</b>						
Res.	1,099	1,098	1	42,235	44,789	(2,554)
G.S.	169	165	4	12,761	12,661	100
<b>Total</b>	<b>1,268</b>	<b>1,263</b>	<b>5</b>	<b>54,996</b>	<b>57,450</b>	<b>(2,454)</b>
<b>Aug.</b>						
Res.	1,099	1,097	2	32,937	34,646	(1,709)
G.S.	169	165	4	7,083	7,312	(229)
<b>Total</b>	<b>1,268</b>	<b>1,262</b>	<b>6</b>	<b>40,020</b>	<b>41,958</b>	<b>(1,938)</b>
<b>Sep.</b>						
Res.	1,099	1,095	4	26,639	31,277	(2,638)
G.S.	169	165	4	6,309	6,415	(106)
<b>Total</b>	<b>1,268</b>	<b>1,260</b>	<b>8</b>	<b>36,948</b>	<b>39,692</b>	<b>(2,744)</b>
<b>Oct.</b>						
Res.	1,099	1,098	1	25,949	26,663	(714)
G.S.	169	163	6	7,109	7,213	(104)
<b>Total</b>	<b>1,268</b>	<b>1,261</b>	<b>7</b>	<b>33,058</b>	<b>33,876</b>	<b>(818)</b>
<b>Nov.</b>						
Res.	1,099	1,102	(3)	46,644	48,618	(1,974)
G.S.	169	163	6	12,167	12,032	135
<b>Total</b>	<b>1,268</b>	<b>1,265</b>	<b>3</b>	<b>58,811</b>	<b>60,650</b>	<b>(1,839)</b>
<b>Dec.</b>						
Res.	1,099	1,096	3	46,872	50,148	(1,276)
G.S.	169	161	8	9,749	9,736	13
<b>Total</b>	<b>1,268</b>	<b>1,257</b>	<b>11</b>	<b>56,621</b>	<b>59,884</b>	<b>(1,263)</b>

Request by 6. Page 2  
J. Lingo

Response 6:	b) (cont.)	No. of Bills			Consumption		
		BA	PSC	Diff.	BA	PSC	Diff.
	Jan.						
	Res.	1,099	1,096	3	45,513	36,793	8,720
	G.S.	169	164	5	11,249	11,129	120
	Total	1,268	1,260	8	56,762	47,922	8,840
	Feb.						
	Res.	1,099	1,096	3	39,543	40,558	(1,015)
	G.S.	169	163	6	11,535	11,414	121
	Total	1,268	1,259	9	51,078	51,972	(894)
	Mar.						
	Res.	1,099	1,097	2	36,814	37,698	(884)
	G.S.	169	165	4	11,750	11,692	58
	Total	1,268	1,262	6	48,564	49,390	(826)
	Apr.						
	Res.	1,099	1,102	(3)	41,839	42,327	(488)
	G.S.	169	167	2	15,771	15,508	263
	Total	1,268	1,269	(1)	57,610	57,835	(225)
	May						
	Res.	1,099	1,096	3	41,444	41,490	(46)
	G.S.	169	165	4	14,688	14,588	100
	Total	1,268	1,261	7	56,132	56,078	54
	June						
	Res.	1,099	1,093	6	31,009	31,054	(45)
	G.S.	169	164	5	11,084	10,746	338
	Total	1,268	1,257	11	42,093	41,800	293
	Annual						
	Res.	13,188	13,166	22	461,438	466,061	(4,623)
	G.S.	2,028	1,970	58	133,255	132,446	809
	Total	15,216	15,136	80	594,693	598,507	(3,814)

The number of bills in the Bill Analysis reflect billing corrections (for duplicate bills, partial bills, input errors, etc.) which are not reflected on the "Quarterly P.S.C. Report". The consumption differences reflect adjustments (reading errors, input errors, etc.) made to billed usage that have been corrected within the Bill Analysis, but not on the "Quarterly P.S.C. Report" which is unadjusted data. (See "Water Production vs. Water Usage" workpaper in MFR, Volume IV.)