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FILE COPY

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

Re: Hobe Sound Water Company -- Application for a Limited
Proceeding -- Docket No. 96 0192 -WU

Dear Ms. Bayó:

Enclosed for filing on behalf of Hobe Sound Water Company
(Hobe Sound) are the original and fifteen copies of a Petition
for Limited Proceeding, including a document entitled "Support
Documentation and Work Papers."

Also enclosed are the original only of the following
additional supporting documents: (a) Appendices A to D,
(b) Consent Agreement Between Hobe Sound and the South Florida
Water Management District, and (c) proposed form of customer
notice. Pursuant to an agreement reached at an informal meeting
with the Commission staff, additional copies of the supporting
documents have been furnished directly to the staff of the
Division of Water and Wastewater and the Division of Legal
Services as required.

Also enclosed is a check in the amount of \$1,750 in payment
of the applicable filing fee.

If you have any questions regarding this filing, please
call.

Very truly yours,

Richard D. Melson

Richard D. Melson

*01877-96 Support doc.
01878-96 Appendices A-D
01879-96 Consent Agree.
01880-96 Proposed form*

RDM/mee
Enclosures

man

cc: Marshall Willis
Rosanne Capeless
Connie Binford
Robert Crouch

Michael Carfine
John Guastella
Gary White

Petition
DOCUMENT NUMBER-DATE

01876 FEB 16 96

FPSC-RECORDS/REPORTING

960192-WU

THE HOBE SOUND WATER COMPANY

**APPLICATION TO INCREASE RATES AND CHARGES
BY LIMITED PROCEEDING**

IN

MARTIN COUNTY, FLORIDA

Containing

SUPPORT DOCUMENTATION

and

WORK PAPERS

G'IASTELLA ASSOCIATES, INC.

DOCUMENT NUMBER-DATE

01877 FEB 16 1986
FEBRUARY 1986
FPSC-RECORDS/REPORTING

HOBE SOUND WATER COMPANY
LIMITED PROCEEDING
 Revenue Deficiency and Rate Increase Calculation

REVENUE REQUIREMENT CALCULATION:	Limited <u>Proceeding</u>	
Return On Equity	\$33,337	(Sch 4)
Equity with Tax Gross-up	53,450	(Sch 4)
O & M Expense	15,000	(b)
Depreciation	17,586	(c)
Amortization	85,479	(d)
Property Taxes	9,461	(e)
Debt Return	40,807	
Gross Receipts / Revenue Tax	10,451	
	<u>178,784</u>	
Revenue Deficiency	<u>\$232,234</u>	
Adjusted Revenue At Existing Rates	1,473,744	
Rate Increase Required	<u>15.76%</u>	

COMPONENTS OF REVENUE REQUIREMENT CALCULATION :

(a) <u>RATE BASE</u>			
Groundwater Monitoring (Avg Bal)		53,108	Appendix A
Consent Order (Avg Bal)		164,194	Appendix B
UPIS Additions 12/31/94 - 06/30/95		420,687	Appendix C
A/D on Above		(12,926)	
UPIS Additions 07/01/95 - 06/30/96		149,713	Appendix D
A/D on Above		(2,330)	
		<u>792,446</u>	
(b) <u>EXPENSES</u>			
Rate Case Expense (Guastella)	\$55,000	13,750	4 Yr Amort
Rate Case Expense (Melson)	\$5,000	1,250	4 Yr Amort
(c) <u>DEPRECIATION EXPENSE</u>			
UPIS Additions 12/31/94 - 06/30/95		12,926	(Sch 2)
UPIS Additions 07/01/95 - 06/30/96		4,660	(Sch 2)
(d) <u>AMORTIZATIONS</u>			
Groundwater Monitoring	\$59,009	11,802	5 Yr Amort
Consent Order	\$221,032	73,677	3 Yr Amort
(e) <u>PROPERTY TAXES</u>			
Mill Rate per \$1000 of UPIS	16.5872	9,461	
(f) <u>WEIGHTED COST OF CAPITAL</u>			
Long-Term Debt		4.85%	(Sch 3)
Short-Term Debt		0.30%	(Sch 3)
Equity		4.21%	(Sch 3)
		<u>9.36%</u>	

Hobe Sound Water Company
Limited Proceeding

DEPRECIATION CALCULATION:

Account / Description	Depr Rate	Plant Additions	Deprec Expense
304.2 Structures & Improvements	3.03%	14,209	431
307.2 Wells & Springs	3.33%	107,043	3,565
309.2 Supply Mains	2.86%	148,014	4,229
311.2 Pumping Equipment	5.00%	44,104	2,205
331.4 Transm. & Distribution Mains	2.33%	<u>107,317</u>	<u>2,498</u>
Interconnection & Production Wells (On Line 06/95)		420,687	12,926
307.2 Wells & Springs	3.33%	117,368	3,908
331.4 Transm. & Distribution Mains	2.33%	<u>32,345</u>	<u>752</u>
Monitoring Wells (On Line 01/96)		149,713	4,660

**HOBE SOUND WATER COMPANY
LIMITED PROCEEDING**

Capital Structure

<u>Last Order</u>	Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Long Term Debt	\$2,340,952	51.13%	6.55%	3.35%
Short Term Debt	419,545	9.16%	10.00%	0.92%
Common Equity	1,737,468	37.95%	11.34%	4.30%
Accum Deferred Tax	<u>80,423</u>	<u>1.76%</u>	0.00%	<u>0.00%</u>
Total	<u>\$4,578,388</u>	<u>100.00%</u>		<u>8.57%</u>

Pro Forma

Long Term Debt	(a)	\$3,014,541	56.13%	8.63%	4.85%
Short Term Debt	(b)	162,727	3.03%	10.00%	0.30%
Common Equity		1,992,446	37.10%	11.34%	4.21%
Accum Deferred Tax	(b)	<u>201,120</u>	<u>3.74%</u>	0.00%	<u>0.00%</u>
Total	(c)	<u>\$5,370,834</u>	<u>100.00%</u>		<u>9.36%</u>

Note (a) :	Outstanding 06/30/96	Ratio	Cost	Wgt'd Cost
Note #1	665,535	22.08%	8.50%	1.88%
Note #2	1,355,678	44.97%	8.25%	3.71%
Note #3	<u>993,328</u>	<u>32.95%</u>	9.25%	<u>3.05%</u>
	3,014,541	100.00%		<u>8.63%</u>

Note (b) : Projected 06/30/96 levels.

Note (c) :	Last Approved Rate Base	4,578,388
	Requested Limited Proceeding Items	792,446
	Total Rate Base	<u>5,370,834</u>

SCHEDULE 4

HOBESOUND WATER COMPANY
 LIMITED PROCEEDING
 Provision for Income Taxes

Revenue Deficiency		\$232,234
Operating Expenses		137,977
Interest Expense		<u>40,807</u>
Taxable Income		\$53,450
State Income Tax	5.50%	<u>2,940</u>
Federal Taxable Income		50,511
Federal Income Tax	34.00%	<u>17,174</u>
Net Income		<u><u>\$33,337</u></u>

SCHEDULE 5

HOBE SOUND WATER COMPANY
LIMITED PROCEEDING

Rate Schedule

Class/Meter Size	Present Rates	Proposed Rates
	BFC	BFC
Residential		
5/8" x 3/4"	\$12.14	\$14.05
3/4"	18.21	21.08
1"	30.35	35.13
1-1/2"	60.69	70.25
2"	97.11	112.41
3"	194.22	224.83
4"	303.46	351.28
Gallorage charge/1,000 g		
0 to 10,000 gals.	0.78	0.90
10,001 to 40,000 gals.	1.76	2.04
Over 40,000 gals.	2.34	2.71
General Service		
5/8" x 3/4"	\$12.14	\$14.05
3/4"	18.21	21.08
1"	30.35	35.13
1-1/2"	60.69	70.25
2"	97.11	112.41
3"	194.22	224.83
4"	303.46	351.28
Gallorage charge/1,000 g		
0 to 10,000 gals.	1.46	1.69
10,001 gals. and over	1.46	1.69

**HOBE SOUND WATER COMPANY
LIMITED PROCEEDING**

Revenue Schedule at Present and Proposed Rates
Twelve Months Ending 06/30/95

<u>Class/Meter Size</u>	<u>Number Bills</u>	<u>Consumptn in 1000 gal</u>	<u>Present Rate</u>	<u>Revenue at Present</u>	<u>Conserv. Gallons</u>	<u>Proposed Rate</u>	<u>Revenue at Proposed</u>
Residential							
5/8" x 3/4"	8,233	102,500	12.14	99,949		14.05	115,674
1"	2,088	101,999	30.35	63,371		35.13	73,351
1-1/2"	1,756	135,433	60.69	106,572		70.25	123,359
2"	1,134	120,352	97.11	110,123		112.41	127,473
3"	0	0	194.22	0		224.83	0
4"	0	0	303.46	0		351.28	0
Gals. 10,000 and under		100,872	0.78	78,680	100,872	0.90	90,785
Gals. 10,001 to 40,000		128,387	1.76	225,961	128,387	2.04	261,909
Gals. over 40,000		231,025	2.34	540,599	231,025	2.71	626,078
Total Residential	13,211	460,284		1,225,255			1,418,629
Average Bill				\$92.75			\$107.38
General Service							
5/8" x 3/4"	744	9,832	12.14	9,032		14.05	10,453
1"	588	19,389	30.35	17,846		35.13	20,656
1-1/2"	540	37,445	60.69	32,773		70.25	37,935
2"	84	7,273	97.11	8,157		112.41	9,442
3"	60	566	194.22	11,653		224.83	13,490
4"	12	38,773	303.46	3,642		351.28	4,215
Gen Service Gallons		113,278	1.48	165,386	113,278	1.69	191,440
Total General Service	2,028	113,278		248,489			287,631
Average Bill				\$122.53			\$141.83
Totals	15,239	573,562		\$1,473,744			\$1,706,260
				Additional Revenue			\$232,516
				Revenue Increase			15.78%

APPENDIX A

GROUNDWATER MONITORING PROGRAM

(INFORMATION PROVIDED TO PSC STAFF UNDER SEPARATE COVER)

APPENDIX B

CONSENT AGREEMENT COSTS

(INFORMATION PROVIDED TO PSC STAFF UNDER SEPARATE COVER)

APPENDIX C

**PLANT IN SERVICE ADDITIONS
(PRODUCTION FACILITIES)**

(INFORMATION PROVIDED TO PSC STAFF UNDER SEPARATE COVER)

APPENDIX D

**PLANT IN SERVICE ADDITIONS
(MONITORING WELLS)**

(INFORMATION PROVIDED TO PSC STAFF UNDER SEPARATE COVER)