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Public Service Commission

March 23, 2007

Marilyn Gay, Secretary
Pointe West Condominium Association Inc.
11945 Paradise Pointe Way
New Port Richey, Florida 34654

Re: Docket No. 060253-Ws, Application for rate increase in Pasco/Pinellas County by Utilities Inc. of Florida

Dear Ms. Gay:

Thank you for your recent correspondence in which you expressed concerns regarding a rate increase requested by Utilities, Inc. of Florida (Utilities, Inc.) 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.

As you are aware, a customer meeting was held in New Port Richey on March 6, 2007. During the meeting, customers were given an opportunity to express their opinions and concerns regarding the rates and service of Utilities, Inc. Customers provided verbal comments while others, like yourself, have submitted written comments. This input will be taken under advisement when staff formulates its recommendation on the proposed final rates.

Staff is aware of the customer's concerns over quality of service. The Commission will consider all quality of service issues when making its decision in this rate case. Pursuant to Rule 25-30.433(1), Florida Administrative Code:

The Commission in every rate case shall make a determination of the quality of service provided by the utility. This shall be derived from an evaluation of three separate components of water and wastewater utility operations: quality of utility's product (water and wastewater); operational conditions of utility's plant and facilities; and the utility's attempt to address customer satisfaction. Sanitary surveys, outstanding citations, violations and consent orders on file with the Department of Environmental Protection (DEP) and county health departments or lack thereof over the preceding 3-year period shall also be considered. DEP and county health department officials' testimony concerning quality of service as well as the testimony of utility's customers shall be considered

Staff is currently working closely with the Department of Environmental Protection concerning these issues and will address them in its recommendation to the Commission. With respect to the development of rates, the Commission is required to set rates that are just, reasonable,

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March 23, 2007

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. 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.

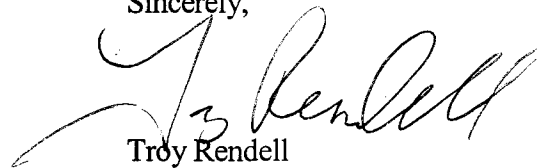
There are many factors that affect the cost of providing service and hence, the rates charged to customers. Some factors affecting the cost of providing service include: the size and age of the utility system; the quality of the water at its source; the number of customers; and, the geographic spread of the service area. During a rate case, the Commission's accountants, engineers and economists examine the financial and engineering information filed by the company 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 for recovery from the ratepayers.

Utilities Inc.'s rate case is being processed in accordance with the Commission's Proposed Agency Action (PAA) procedure. Under this procedure, staff performs a through analysis and solicits customer comments for consideration. After all relevant information has been analyzed; staff prepares a recommendation that is presented to the Commission for action at a formal public forum known as the Commission's Agenda Conference. This process is less formal and less expensive than the traditional rate making process that requires the Commission to hold an evidentiary hearing on the utility's request for rate relief.

With respect to Utilities Inc.'s case, the staff recommendation is scheduled to be submitted on April 12, 2007 and is scheduled to be heard by the Commissioners at the April 24, 2007 Agenda Conference. Once the Commissioners vote on the staff recommendation, a PAA Order will be issued within 20 days. After the PAA Order is issued, any substantially affected persons may protest the order within 21 days. If there is not protest of the PAA Order, the Order becomes final.

I hope the above information has been helpful. If you have any additional questions, or require further assistance, please call me at (850) 413-6934 or email me at trendell@psc.state.fl.us.

Sincerely,



Troy Rendell
Public Utilities Supervisor

TR:fw

cc: Division of the Commission Clerk and Administrative Services
Division of Economic Regulation (Bulecza-Banks, Rendell, Kaproth, Romig)
Martin S. Friedman, Esq. (Utilities, Inc. of Fla.)