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Florida Public Service Comm.  
Commissioner Clark

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April 6, 1995

Ms. Susan Clark, Chairman  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32399-0850

HAND DELIVERY

950 397-54

Re: Florida Cities Water Company, North Ft. Myers Division -  
Request for approval of test year for an application for  
increased wastewater rates in Lee County, Florida

Dear Chairman Clark:

The purpose of this letter is to request your approval of a test year pursuant to Rule 25-30.430, F.A.C., for a forthcoming application for increased wastewater rates by Florida Cities Water Company, North Ft. Myers Division ("FCWC"). The reason for such an application is that the rates currently being charged do not both cover the costs of proving service and provide a fair return on FCWC's investment in utility property.

For the purposes of its application, FCWC proposes using a projected test year ended December 31, 1995 with a historical base year ended December 31, 1994. This projected period will be representative of the Utility's investment and operating costs and conditions for these systems for the period of time when the adjusted rates will be placed into effect.

Approximately \$658,699 of additional investment in wastewater facilities have occurred in the past 18 months. This investment has been closed on the books as of December, 1994.

The projected test year ending December 31, 1995, more accurately represents FCWC's ongoing operation because FCWC is currently constructing plant-in-service additions for the Waterway Estates Advanced Wastewater Treatment Plant of approximately \$1,600,000. Final completion of these additions is scheduled for October 1, 1995 for the plant expansion from 1.0 MGD to 1.25 MGD, and May 2, 1995 for a reclaimed water line. These additions will be added to plant in service on FCWC's books on or before December, 1995.

There is minimal growth in the North Ft. Myers Division. For the past five years the average growth has been approximately only 2% per year. It is anticipated that the growth for the projected

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year will also be approximately only 2%. As a result, it will not be possible that FCWC will be earning a fair and reasonable rate of return that might result from customer growth.

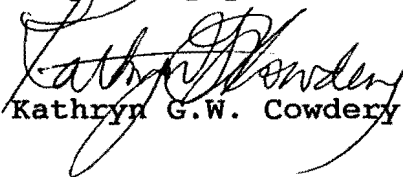
Therefore, it is necessary that FCWC's investment and rate base at its North Ft. Myers Division be determined based on year end December 31, 1995 so that all of its investment in the test year will be included in the rate base.

A material portion of such investment has been required by agency rule, regulation, order or other regulatory directive, and such supporting information will be supplied to the Commission in FCWC's application and MFRs as required by Rule 25-30.4415, F.A.C.

FCWC intends to ask that its application be processed under the proposed agency action procedure of the Commission.

Thank you for your attention to this matter.

Very truly yours,

  
Kathryn G.W. Cowdery

KGWC/ldv

cc: Marshall Willis

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