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February 4, 1998

980214-MS

FEDERAL EXPRESS

Ms. Julia L. Johnson, Chairman  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

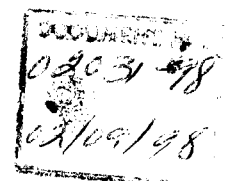
Re: United Water Florida Inc.  
Application for Test Year Approval

Dear Chairman Johnson:

United Water Florida Inc. ("Company") intends to file an application for a general water and wastewater rate increase, on or before April 15, 1998. Subject to your approval, the rate application will be based on a historical base year ended December 31, 1997, and a projected test year ending December 31, 1999. The calendar year 1998 will be the intermediate test year. All adjustments to the historical, intermediate and projected years will be fully detailed in the rate filing. The Company's last general rate application was based on a projected test year ended December 31, 1997, and was decided by Order Number PSC-97-1146-FOF-WS, dated September 30, 1997, amending Order Number PSC-97-0618-FOF-WS, dated May 30, 1997, in Docket No. 960451-WS.

Major changes in operational methods which have occurred during and since the last projected test year or during the intermediate and projected test years include:

1. Acquisition of the utility systems of Sunray Utilities-Nassau, Inc., and Sunray Utilities-St. Johns, Inc.;
2. Conversion to Activity Based Integrated Financial Management Systems;
3. Installation of packed tower aerators at the Holly Oaks water treatment plant and the St. Johns North water treatment plant and chemical dosing equipment at nine (9) other major water facilities in compliance with the Lead and Copper Rule;



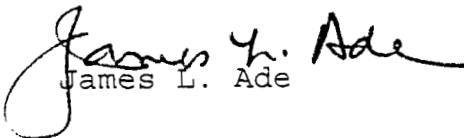
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4. Conversion of the Monterey wastewater treatment plant operation from a conventional secondary wastewater treatment process to a sequential batch reactor process to improve plant performance in compliance with Florida Department of Environmental Protection permit conditions; and
5. Provision of Reuse Service.

The basis for the Company's claimed revenue requirement will be the pro forma results of operations in the projected test year ending December 31, 1999, as adjusted. In the event the Company requests interim rates, those rates will be based on the historical year ended December 31, 1997, as adjusted. The projected test year is more representative of the Company's operations in the period during which permanent rates will be in effect because it will incorporate known, measurable or reasonably estimated changes in revenue and expense anticipated to occur during the projected test year. It will also incorporate a representative level of plant in service during 1999. Thus, the projected test year, as adjusted, will enable the Commission to set rates for the rate effective period based on information which is most representative of conditions that will exist during this period.

A list of adjustments to revenue and expenses which are at this time anticipated to be made in the historical and projected test years is set forth on attached Schedule A. A general description of major plant expansions and additions to plant in service at the end of the historical and projected test years is attached as Schedule B. If further information is needed, please do not hesitate to contact me.

Very truly yours,

  
James L. Ade

JLA:dws  
Enclosures

cc: Mr. David E. Chardavoyne  
Mr. Walton Hill  
Mr. Robert Iacullo  
Mr. Munipalli Sambamurthi  
Mr. Jack Schreyer

## UNITED WATER FLORIDA INC.

Anticipated Estimated Pro Forma AdjustmentsLABOR

- to reflect personnel additions and pay raises during the projected test year.

POWER

- to reflect current costs of power and an adjustment for projected test year changes.

PURCHASED OUTSIDE SEWAGE TREATMENT

- to reflect current costs of purchased outside sewage treatment and an adjustment for projected test year changes.

PURCHASED WATER

- to reflect current costs of purchased water and an adjustment for projected test year changes.

TAXES OTHER THAN INCOME

- to reflect most current tax rates and plant additions.

DEPRECIATION

- to reflect changes in depreciation expense resulting from plant additions.

CAPITAL INVESTMENTS

- to reflect additional investment associated with acquisition of Sunray utility systems.

EMPLOYEE BENEFITS

- to reflect changes in costs of employee benefits.

PRODUCTION COSTS

- to reflect changed operations and maintenance costs.

INSURANCE

- to reflect changes in premiums.

MAINTENANCE EXPENSE

- to reflect changed operations and maintenance costs.

REVENUE

- to reflect customers added in historical and projected test years.

## UNITED WATER FLORIDA INC.

Estimated Gross Plant Additions (\$1,000's)

	<u>1/1/97 To</u> <u>12/31/97</u>	<u>1/1/98 To</u> <u>12/31/98</u>	<u>1/1/99 To</u> <u>12/31/99</u>
WATER SERVICES	643.7	1,312.0	1,102.0
WATER METERS	264.3	230.0	230.0
WATER MAINS	2,259.2	1,949.5	1,622.5
WATER SUPPLY FACILITIES	320.9	750.0	--
WATER PUMPING	559.9	447.0	545.0
WATER TREATMENT	961.7	1,796.5	1,675.0
WATER STORAGE	604.8	2,007.0	--
GENERAL PLANT	2,102.1	2,184.7	160.0
SEWER SERVICES	503.3	1,275.0	1,075.0
SEWER MAINS	2,417.7	3,559.5	3,805.0
SEWER PUMPING	1,300.5	203.6	475.0
SEWAGE TREATMENT	3,733.1	1,769.2	6,650.0
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TOTALS	<u>15,671.3</u>	<u>17,484.0</u>	<u>17,339.5</u>