

GATLIN, WOODS & CARLSON
Attorneys at Law
a partnership including a professional association

The Mahan Station
1709-D Mahan Drive
Tallahassee, Florida 32308

951056-WS

B. KENNETH GATLIN, P.A.
THOMAS F. WOODS
JOHN D. CARLSON
WAYNE L. SCHIEFELBEIN

RECEIVED
TELEPHONE (904) 877-7191
TELECOPIER (904) 877-9031

SEP 01 1995

September 1, 1995
Florida Public Service Comm.
Commissioner Clark

Ms. Susan F. Clark, Chairwoman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

Re: Palm Coast Utility Corporation - Request for approval of
test year for an application for increased water and
wastewater rates in Flagler County, Florida.

Dear Chairwoman 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 water and wastewater rates by Palm
Coast Utility Corporation (PCUC). The reason for such an
application is that the rates currently being charged will not
cover both the costs of providing service and a fair return on
PCUC's current and projected investment in utility property.

For the purposes of its application, PCUC proposes using a
projected year end test year ending December 31, 1995, with an
historical base year ended December 31, 1994. The projected test
year will be composed of six months actual data and six months
projected data.

Additions to the wastewater treatment and disposal
facilities, significantly increasing their capacity, have been
completed and are providing service in the second half of 1995.
A projected year end test year for the twelve months ending
December 31, 1995 will be more representative of PCUC's investment
and operating expenses and conditions than the historical base
period and is necessary if the revenue requirements are to
reflect PCUC's costs for the period of time when the adjusted
rates would be in effect.

The last full consideration of PCUC's revenue requirement
was in Docket No. 890277-WS resulting in the issuance of Order
No. 22843 on April 23, 1990. A test year ended December 31, 1988
was used in that docket. Since the December 31, 1988 test year
and through the present, PCUC will have added approximately \$17.9

DOCUMENT NUMBER-DATE

08641 SEP-5 95

FPSC-RECORDS/REPORTING

Letter to Susan F. Clark, Chairwoman
September 1, 1995
Page 2 of 2

million in water facilities, \$16.1 million in wastewater facilities and \$2.6 million in general plant. Of these amounts, approximately \$3.3 million in water facilities, \$9.1 million in wastewater facilities and \$0.7 million in general plant have been added in the most recent 18 month period. A significant portion of the added investment was necessary to increase the capacity of PCUC's water and wastewater treatment facilities and associated effluent disposal and reclaimed water reuse facilities.

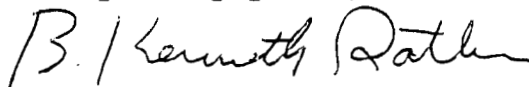
In addition to the increase in plant investment, PCUC has experienced changes in its operations associated with the expansion of its facilities, as well as significant customer growth, that have resulted in increases in its O&M expenses.

The increase in investment and expenses is associated with PCUC's efforts to expand and operate its system in a manner consistent with rules, regulations, orders or regulatory directives of the Florida Department of Environmental Protection, the St. Johns River Water Management District, Flagler County and other state and federal agencies.

PCUC intends to file its rate application no later than December 31, 1995.

Thank you for your attention to this matter.

Very truly yours,



B. Kenneth Gatlin

BKG/ldv

cc: Marshall Willis