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March 19, 1999

Ms. Blanco S. Bayo, Director
 Division of Records and Reporting
 Florida Public Service Commission
 2540 Shumard Oak Blvd.
 Tallahassee, FL 32399-0850

RE: **Docket No. 990195-WS**
 Application by Lake Groves Utilities, Inc. for Amendment of Certificates 534-W
 and 465-S to Add Additional Territory in Lake County.

Dear Ms. Bayo:

This letter is in response to the deficiency letter received from Mr. Robert T. Davis dated March 17, 1999.

1. Pursuant to Rule 20-30.036(3)(b) LGUI is required to provide a statement showing its financial and technical ability to provide service and the need for service in the proposed area. LGUI, certificated in 1991, asserts that it currently serves approximately 600 customers in its existing service area; however, Exhibit K outlines only the abilities and reputation of Utilities, Inc., LGUI's parent company. Please provide a statement of LGUI's current financial status, technical ability to provide water and wastewater service in the proposed extended service area, and the quality of service provided to current customers.

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG 1
- LIN _____
- OPC _____
- RCH _____
- SEC 1
- WAS 1
- OTH _____

LGUI's current financial condition is sound. For the year ended December 31, 1997, the most recent year available, LGUI collected revenues of approximately \$339,000.

LGUI has experienced steady growth over the last several years and can anticipate this level of growth to continue for the foreseeable future. LGUI is debt-free and has access to capital at reasonable rates, through its parent company, on as needed basis for facility expansions, improvements and replacements.

With regard to its technical ability, LGUI is operated by certified and experienced operators. The management of LGUI has several years of experience in the water and wastewater utility business. Through its affiliation with Utilities Inc. of Florida, LGUI has access to experienced utility personnel.

LGUI provides quality service to its customers. LGUI is in good standing with the DEP and the PSC. LGUI is currently in compliance with all applicable operating permits.

DOCUMENT NUMBER-DATE

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Notwithstanding the question above, it is relevant to look not only at LGUI as a stand alone utility, but also as a subsidiary of Utilities, Inc. and as an affiliate of the other Utilities, Inc. companies in Florida. This affiliation gives LGUI access to the capital and human resources that would not otherwise be available to LGUI if it were in fact a stand alone entity.

2. Pursuant to Rule 25-30.036(3)(D) LGUI is required to provide a copy of the official county tax assessment map OR other map showing township, range, and section, to scale, with the proposed territory plotted therein using metes and bounds or quarter sections, and with a defined reference point of beginning. Exhibit P is insufficient as it does not show township, range or section and is not plotted according to scale. Please provide the information above.

The required maps are being prepared and will be sent directly from the Utilities, Inc. of Florida office.

3. Pursuant to Rule 25-30.036(3)(j) LGUI is required to provide a statement describing the capacity of the existing lines, treatment facilities, and the design capacity of the proposed extension. Exhibit H lists the maximum capacities, but is unclear as to the number of ERC's LGUI is currently serving. Please provide the current number of ERC's that LGUI is serving for both water and wastewater systems, as well as an indication of the capacity LGUI will be operating at after serving the proposed 196 ERC's.

Attached is a spreadsheet detailing actual water and wastewater flows for the past several years. Additionally, a spreadsheet is attached which details current ERCs, historical ERC growth and *estimated* projected ERC additions through 1999.

4. Exhibit H indicates that an expansion to the wastewater treatment plant is programmed and currently in the design phase. Has an application for a construction permit been filed with the Department of Environmental? If so has the proposed expansion been approved and, if so, what is the permit number? Will this expanded treatment facility be in place concurrent with development of the proposed addition to LGUI's service area?

An application for construction permits has not been submitted. The design of the wastewater plant is ongoing. We expect to submit for permits within 60 days. We do expect the expanded treatment facility to be in place and on line by the time the proposed service area is developed.

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5. Pursuant to Rule 25-30.036(3)(l) LGUI is required to provide a statement regarding the proposed method of financing the construction, and the projected impact on the utility's capital structure. In LGUI's application this is listed as EXHIBIT L, but no such attachment was included with LGUI's application. Please provide the information listed above.

Attached is EXHIBIT L.

6. Pursuant to Rule 25-30.063(3)(n) LGUI is required to provide a statement regarding the projected impact the extension on the utility's monthly rates and service availability charges. According to Exhibit N, LGUI does not anticipate a material impact on LGUI's rates. Does this statement mean that there may be some impact, but not a substantial impact? Please clarify the statement in Exhibit N and define "material" as it is used therein. What impact will the expansion to the wastewater treatment plant have on rates and service availability charges for the current as well as new customers?

The word "material" was used in the application because it is not anticipated that the impact of the proposed extension will be substantial, either positive or negative. For example, as LGUI grows, the positive impact of economies of scale should lower costs on a per-customer basis. Those efficiencies may be offset by infrastructure that is replaced because more customers are served and therefore wears more rapidly.

Additionally, infrastructure may be added by the utility to serve more customers. As noted in the application, LGUI is currently designing a wastewater treatment expansion. The need for the expansion is dictated by growth throughout LGUI's existing territory as well as anticipated growth within contiguous land, such as the territory proposed to be added in this docket. The planned wastewater treatment plant expansion is needed, irrespective of the 196 ERC's proposed to be added in this docket.

However, it is anticipated that customer growth will allow LGUI to recover the increased costs associated with the plant expansion without the need for a change in service rates or service availability charges. LGUI is not planning a rate case in the foreseeable future.

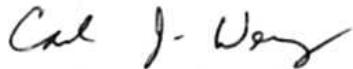
7. Exhibit A indicates that no other entity proposes to provide service for the proposed territory. Is this still accurate?

Yes it is still accurate.

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As indicated in the developer agreement filed in this docket, time is of the essence. LGUI would appreciate any effort on the part of the PSC and its Staff that would expedite the processing of this application and the approval of the requested territory addition.

Respectfully submitted,



Carl J. Wenz
Vice President, Regulatory Matters

cc: Mr. Ben Girtman, Esq.

Month	Permitted Capacity	Average Projected ERCs		Actual ERCs		Month
		Linear Growth	Exponential Growth	Begin Year	End Year	
Jan-95	665	236	236	233	238	Jan-95
Feb-95	665	239	239	238	240	Feb-95
Mar-95	665	250	250	240	260	Mar-95
Apr-95	665	266	266	260	271	Apr-95
May-95	665	275	275	271	278	May-95
Jun-95	665	280	280	278	281	Jun-95
Jul-95	665	289	289	281	297	Jul-95
Aug-95	665	300	300	297	303	Aug-95
Sep-95	665	310	310	303	316	Sep-95
Oct-95	665	319	319	316	322	Oct-95
Nov-95	665	326	326	322	329	Nov-95
Dec-95	665	336	336	329	342	Dec-95
Jan-96	665	349	349	342	356	Jan-96
Feb-96	665	360	360	356	363	Feb-96
Mar-96	665	367	367	363	371	Mar-96
Apr-96	665	380	380	371	388	Apr-96
May-96	665	390	390	388	391	May-96
Jun-96	665	401	401	391	411	Jun-96
Jul-96	665	417	417	411	423	Jul-96
Aug-96	665	426	426	423	428	Aug-96
Sep-96	665	435	435	428	441	Sep-96
Oct-96	665	447	447	441	453	Oct-96
Nov-96	665	461	461	453	469	Nov-96
Dec-96	665	475	475	469	480	Dec-96
Jan-97	665	485	485	480	490	Jan-97
Feb-97	665	496	496	490	502	Feb-97
Mar-97	665	508	508	502	510	Mar-97
Apr-97	665	515	515	510	520	Apr-97
May-97	665	523	523	520	525	May-97
Jun-97	665	530	530	525	535	Jun-97
Jul-97	665	541	541	535	546	Jul-97
Aug-97	665	550	550	546	553	Aug-97
Sep-97	665	560	560	553	567	Sep-97
Oct-97	665	576	576	567	585	Oct-97
Nov-97	665	591	591	585	596	Nov-97
Dec-97	665	602	602	596	608	Dec-97
Jan-98	665	621	621	608	633	Jan-98
Feb-98	665	643	643	633	653	Feb-98
Mar-98	665	662	662	653	671	Mar-98
Apr-98	665	692	692	671	712	Apr-98
May-98	665	752	752	712	791	May-98
Jun-98	665	802	802	791	813	Jun-98
Jul-98	665	825	825	813	836	Jul-98
Aug-98	665	837	837	836	837	Aug-98
Sep-98	665	861	861	837	885	Sep-98
Oct-98	1,371	893	893	885	901	Oct-98
Nov-98	1,371	917	917	901	932	Nov-98
Dec-98	1,371	943	943	932	954	Dec-98
Jan-99	1,371	963	963	954	971	Jan-99
Feb-99	1,371	982	982	971	992	Feb-99
Mar-99	1,371	1,009	1012	992	1,033	Mar-99
Apr-99	1,371	1,030	1035	1,033	1,064	Apr-99
May-99	1,371	1,052	1059	1,064	1,094	May-99
Jun-99	1,371	1,074	1085	1,094	1,124	Jun-99
Jul-99	1,371	1,097	1112	1,124	1,151	Jul-99
Aug-99	1,371	1,121	1141	1,151	1,179	Aug-99
Sep-99	1,371	1,143	1168	1,179	1,205	Sep-99
Oct-99	1,371	1,165	1197	1,205	1,228	Oct-99
Nov-99	1,371	1,188	1227	1,228	1,251	Nov-99
Dec-99	1,371	1,211	1257	1,251	1,280	Dec-99

YEAR	PLANT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOT/AVG	PLANT
1992	TOTAL FLOW	0.000	0.155	0.180	0.001	0.001	0.001	0.031	0.155	0.120	0.124	0.120	0.133	0.686	TOTAL FLOW
	Permit	0.000	0.005	0.006	0.000	0.000	0.000	0.001	0.005	0.004	0.004	0.004	0.004	0.002	ADF
	Cap	0.000	0.009	0.007	0.001	0.001	0.000	0.004	0.007	0.005	0.008	0.005	0.005	0.008	MAX DAY
	0.035	0.000	0.005	0.005	0.000	0.000	0.000	0.000	0.002	0.003	0.004	0.004	0.004	0.004	3 MO ADF
		0%	14%	14%	0%	0%	0%	1%	6%	10%	12%	11%	12%		% Permit Cap.
1993	TOTAL FLOW	0.155	0.140	0.155	0.180	0.155	0.160	0.217	0.279	0.240	0.279	0.270	0.310	2.560	TOTAL FLOW
	Permit	0.005	0.005	0.005	0.006	0.005	0.006	0.007	0.009	0.008	0.009	0.009	0.010	0.007	ADF
	Cap	0.009	0.006	0.007	0.007	0.007	0.010	0.011	0.011	0.010	0.011	0.011	0.015	0.015	MAX DAY
	0.035	0.004	0.005	0.005	0.005	0.005	0.006	0.006	0.007	0.008	0.009	0.009	0.009	0.009	3 MO ADF
		13%	14%	14%	15%	15%	16%	17%	21%	23%	25%	25%	27%		% Permit Cap.
1994	TOTAL FLOW	0.310	0.280	0.310	0.380	0.372	0.330	0.403	0.465	0.360	0.372	0.330	0.403	4.295	TOTAL FLOW
	Permit	0.010	0.010	0.010	0.012	0.012	0.011	0.013	0.015	0.012	0.012	0.011	0.013	0.012	ADF
	Cap	0.012	0.011	0.013	0.018	0.016	0.014	0.017	0.019	0.016	0.015	0.014	0.019	0.019	MAX DAY
	0.075	0.010	0.010	0.010	0.011	0.011	0.012	0.012	0.013	0.013	0.013	0.012	0.012	0.012	3 MO ADF
		13%	13%	13%	14%	15%	16%	16%	17%	18%	17%	16%	16%		% Permit Cap.
1995	TOTAL FLOW	0.403	0.392	0.403	0.390	0.465	0.390	0.465	0.582	0.570	0.620	0.600	0.682	6.082	TOTAL FLOW
	Permit	0.013	0.014	0.013	0.013	0.015	0.013	0.015	0.022	0.019	0.020	0.020	0.022	0.017	ADF
	Cap	0.017	0.017	0.018	0.018	0.019	0.015	0.019	0.025	0.025	0.032	0.025	0.030	0.032	MAX DAY
	0.075	0.012	0.013	0.013	0.013	0.014	0.014	0.014	0.017	0.019	0.020	0.020	0.021	0.021	3 MO ADF
		16%	18%	18%	18%	18%	19%	22%	22%	25%	25%	26%	26%		% Permit Cap.
1996	Adjust TOTAL FLOW	1.115	1.058	1.217	1.218	1.218	1.195	1.524	1.892	1.630	1.841	1.713	1.794	17.415	TOTAL FLOW
	Permit	0.036	0.036	0.039	0.041	0.039	0.040	0.049	0.061	0.050	0.059	0.055	0.058	0.047	ADF
	Cap	0.048	0.043	0.048	0.050	0.048	0.056	0.067	0.075	0.064	0.069	0.066	0.076	0.076	MAX DAY
	0.075	0.026	0.031	0.037	0.039	0.040	0.040	0.043	0.050	0.054	0.058	0.058	0.058	0.058	3 MO ADF
		35%	42%	50%	52%	53%	53%	57%	67%	72%	77%	74%	77%		% Permit Cap.
1997	Plant 1	N/A	N/A	N/A	N/A	N/A	N/A	0.345	0.718	0.488	0.073	0.386	2.010		
	Plant 2	N/A	N/A	N/A	N/A	N/A	N/A	0.867	0.729	0.468	0.110	0.365	1.104		
	Plant 3	N/A	N/A	N/A	N/A	N/A	N/A	1.510	1.447	1.585	2.115	1.631	1.579		
	Adjust TOTAL FLOW	1.979	1.785	1.975	2.007	2.146	2.284	2.722	2.894	2.541	2.188	2.382	2.683	27.586	TOTAL FLOW
	Permit	0.064	0.064	0.064	0.067	0.069	0.076	0.088	0.093	0.085	0.071	0.079	0.087	0.075	ADF
	Cap	0.073	0.074	0.074	0.076	0.086	0.097	0.127	0.109	0.108	0.118	0.102	0.135	0.135	MAX DAY
	0.175	0.059	0.062	0.064	0.065	0.067	0.071	0.075	0.086	0.089	0.083	0.078	0.079	0.079	3 MO ADF
		79%	82%	86%	86%	89%	84%	44%	49%	51%	47%	45%	45%		% Permit Cap.
1998	Plant 1	-	-	0.499	0.712	0.712	0.737	0.879	0.977	0.855	0.881	0.888	0.901	7.329	
	Plant 2	0.752	0.752	0.710	0.759	0.759	0.803	0.845	0.916	0.950	0.980	0.943	0.997	10.745	
	Plant 3	1.364	1.814	1.789	1.557	1.557	1.976	2.109	2.034	1.771	1.873	1.995	2.167	21.868	1998
	Adjust TOTAL FLOW	2.443	2.546	2.820	2.848	3.028	3.216	3.833	3.927	3.576	3.534	3.770	4.085	39.706	TOTAL FLOW
	Permit	0.079	0.091	0.091	0.098	0.098	0.107	0.124	0.127	0.119	0.114	0.126	0.131	0.109	ADF
	Cap	0.117	0.122	0.109	0.122	0.122	0.122	0.141	0.155	0.153	0.130	0.175	0.152	0.175	MAX DAY
	0.175	0.082	0.085	0.087	0.093	0.096	0.101	0.110	0.123	0.123	0.120	0.120	0.124	0.124	3 MO ADF
		109%	114%	116%	125%	128%	135%	63%	68%	70%	68%	68%	71%		% Permit Cap.
1999	Plant 1	1.054	0.807											1.861	
	Plant 2	0.930	0.794											1.724	
	Plant 3	2.914	1.887											4.801	1999
	Adjust TOTAL FLOW	4.898	3.488											8.386	TOTAL FLOW
	Permit	0.158	0.125											0.024	ADF
	Cap	0.192	0.148											0.192	MAX DAY
	0.175	0.138	0.138	0.084	0.042									0.192	3 MO ADF
		79%	79%	54%	24%	0%	0%	0%	0%	0%	0%	0%	0%		% Permit Cap.

LAKE GROVES UTILITIES, INC.

**Application for Amendment of Certificates 534-W and 465-S
to Add Additional Territory in Lake County**

EXHIBIT L

A detailed statement regarding the proposed method of financing the construction, and the projected impact on the utility's capital structure.

The wastewater collection system infrastructure to serve the proposed extension will be installed by the developer and contributed to LGUI (see attached developer agreement).

The proposed territory amendment should not impact LGUI's capital structure.