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RECORDS AND REPORTING

June 9, 2000

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Betty Easley Conference Center, Room 110  
Tallahassee, Florida 32399-0850

**HAND DELIVERY**

Re: Docket No. 000295-WU: Application of Placid Lakes Utilities, Inc. for Increased Water Rates in Highlands County

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket are an original and fifteen copies of the Application of Placid Lakes Utilities, Inc. for Increased Water Rates in Highlands County. In support of the Application, enclosed also are sixteen copies of the Minimum Filing Requirements and other pertinent information.

Enclosed also is a check in the amount of \$2,000.00 representing the filing fee for this Application. I have also provided you the disk containing the Application.

Please acknowledge receipt of these documents by date stamping the enclosed copy of this letter and returning it to the undersigned.

APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_  
COM 5  
CTR \_\_\_\_\_  
ECR Beyford  
LEG \_\_\_\_\_  
OPC \_\_\_\_\_  
PAI \_\_\_\_\_  
RGO Handover  
SEC \_\_\_\_\_  
SER \_\_\_\_\_  
OTH \_\_\_\_\_

RECEIVED & FILED  
*[Signature]*  
FPSC-BUREAU OF RECORDS

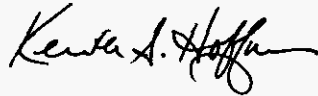
DOCUMENT NUMBER-DATE  
**07085 JUN-98**  
FPSC-RECORDS/REPORTING

*[Signature]*  
DOCUMENT NUMBER-DATE  
**07084 JUN-98**  
FPSC-RECORDS/REPORTING

Ms. Blanca S. Bayo, Director  
Page 2  
June 9, 2000

Thank you for your assistance with this filing.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth A. Hoffman".

Kenneth A. Hoffman

KAH/rl

Enclosures

cc: Ms. Pam Brewer  
Mr. John Guastella

Placid.bayo69

In re: Application of Placid Lakes )  
Utilities, Inc. for Increased Water )  
Rates in Highlands County. )  
\_\_\_\_\_)

Docket No. 000295-WU

Filed: June 9, 2000

**APPLICATION OF PLACID LAKES UTILITIES, INC.  
FOR INCREASED WATER RATES IN HIGHLANDS COUNTY**

Placid Lakes Utilities, Inc. ("Placid Lakes"), hereinafter referred to as the "Applicant", pursuant to Sections 367.081 and 367.082, Florida Statutes (1999), and Rules 25-30.436, 25-30.437, 25-30.4385, 25-30.440 and 25-30.4415, Florida Administrative Code, hereby files its Application for authority to increase water rates and charges and states as follows:

1. The name and principal business address of the Applicant is as follows:

Placid Lakes Utilities, Inc.  
2000 Jefferson Avenue  
Lake Placid, Florida 33852

2. The persons authorized to receive notices, orders, pleadings, and other documents and communications with respect to this Application are as follows:

Kenneth A. Hoffman, Esq.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P. O. Box 551  
Tallahassee, FL 32302  
(850) 681-6788 (Telephone)  
(850) 681-6515 (Telecopier)

3. Applicant was incorporated on June 11, 1970 under the laws of the State of Florida and is currently authorized to conduct business in the State of Florida. Applicant is a Class B water utility providing service in Highlands County.

DOCUMENT NUMBER-DATE

**07084 JUN-98**

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4. This Application is filed pursuant to Sections 367.081, Florida Statutes (1999) and 367.082, Florida Statutes (1999).

5. Applicant requests that this Application be processed pursuant to the Proposed Agency Action procedure outlined in Section 367.081(8), Florida Statutes (1999).

6. An Affidavit signed by Pam Brewer, Secretary of the Applicant, stating that Applicant will comply with the noticing requirements set forth in Rule 25-22.0407, Florida Administrative Code, for applications for water rate increases, is attached hereto as Exhibit "A".

7. The Applicant was last granted rate relief by the Commission pursuant to Order No. PSC-96-0679-FOF-WU issued in Docket No. 950697-WU. Except as may be specifically identified herein, Applicant does not know of any manner in which this Application deviates from the policies, procedures or guidelines prescribed by the Commission and relevant rules prescribed by the Commission in Applicant's last rate case.

8. A check in the amount of \$2,000.00 accompanies this Application as the filing fee for the request for increased water rates.

9. The documents in the Minimum Filing Requirements in support of and accompanying this Application are incorporated herein by reference. This Application and supporting documents may be inspected at the Applicant's business office located at 2000 Jefferson Avenue, Lake Placid, Florida 33852.

10. The necessity for a rate increase arises from the fact that Applicant did not earn a fair and reasonable rate of return for the historic test year ended December 31, 1999. For the test year ended December 31, 1999, Applicant experienced a negative rate of return of (9.22%). Applicant has used a historic (average) test year ended December 31, 1999 as the basis for requesting interim

rates pursuant to Section 367.082, Florida Statutes, and the historic year end test year as of December 31, 1999 as the basis for requesting final rates pursuant to Section 367.081, Florida Statutes.

11. The primary reason for the continued deterioration of returns through the historic test year ended December 31, 1999 arises from costs of approximately \$550,000.00 of plant additions installed since mid-year 1995 which comprise most of the current rate base of \$705,034.00. These costs have already been incurred.

12. Applicant is currently experiencing a severe earnings shortfall. Actual, historic 1999 data has been utilized for purposes of establishing interim rates with pro forma 1999 year end investments reflected in the proposed final rates. Applicant proposes and will establish in this proceeding that a fair and reasonable rate of return on its rate base is 11.00%. This proposed rate of return is based in part on the Commission's approval of a return on equity invested in water operations of 12.00%. The requested return on equity for final rates is proposed to be established at 200 basis points above the Applicant's estimated cost of debt. The use of the most recently approved leverage graph return on equity is inappropriate as it produces a return on equity lower than the Applicant's estimated cost of debt.

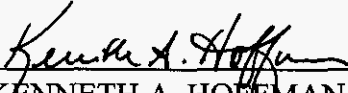
13. Based on the foregoing and in order to have an opportunity to earn a fair and reasonable rate of return on its rate base for water services, the Commission should allow Applicant to place into effect final rates which will produce increased annual sales revenues for water operations of \$236,406.00. Such increase would result in total annual water revenues of \$488,654.00.

14. Pending the establishment of final rates in this proceeding, Applicant requests interim water rates as set forth in its Minimum Filing Requirements. The interim rates are based on the test year ended December 31, 1999 and will produce additional sales revenues for water operations of \$207,962.00.

WHEREFORE, the Applicant requests:

- A. That the Commission take jurisdiction over this Application;
- B. That the Commission allow Applicant to place into effect interim rates which will produce additional operating revenues in the amount of \$207,962.00;
- C. That the Commission allow Applicant to place into effect final rates which will produce additional operating revenues in the amount of \$235,406.00;
- D. That the Commission find that a fair and reasonable rate of return on Applicant's rate base is 11.00% based on a return on equity of 12.00% for the test year ended December 31, 1999; and
- E. That the Commission grant any other relief it deems fair, just, equitable and appropriate.

Respectfully submitted,

  
KENNETH A. HOFFMAN, ESQ.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P. O. Box 551  
Tallahassee, FL 32302  
(850) 681-6788 (Telephone)  
(850) 681-6515 (Telecopier)

STATE OF FLORIDA )  
COUNTY OF HIGHLANDS )

AFFIDAVIT

Before me, the undersigned authority, appeared PAM BREWER, personally known to me, who after being duly sworn, deposes and says:

1. I am Secretary/Treasurer for Placid Lakes Utilities, Inc., the Applicant in the above-referenced proceeding.
2. I provide this Affidavit in support of Applicant's application for increased water rates filed with the Florida Public Service Commission in Docket No. 000295-WU.
3. I am authorized to act on behalf of the Applicant and hereby acknowledge and state that Applicant will comply with the provisions set forth in Rule 25-22.0407, Florida Administrative Code.

  
PAM BREWER

\_\_\_\_\_  
PLACID LAKES UTILITIES, INC.

Sworn to and subscribed this  
7<sup>th</sup> day of June, 2000.



Notary Public

State of Florida at Large

My Commission Expires: 12/17/01

