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July 28, 2000

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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

Re: Docket No. 000295-WU: Amended 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 nineteen
copies of the Amended Application of Placid Lakes Utilities, Inc. ("Placid Lakes") for Increased
Water Rates in Highlands County. The Amended Application addresses and responds to the
deficiencies and areas of concern in Placid Lakes' original Application outlined in a letter dated June
28, 2000, from Tim Devlin, Director of the Division of Economic Regulation ("deficiency letter").
In support of the Amended Application, enclosed also are twenty copies of the Revised Minimum
Filing Requirements and the maps requested by the Commission Staff pursuant to the deficiency
letter.

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

- APP
CAF
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COM 5
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LEG
OPC
PAI
RGO 2
SEC
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Maps forwarded ECR/Bufford
Jan

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FPSC-BUREAU OF RECORDS

Amended Application Revised MFRs
DOCUMENT NUMBER-DATEDOCUMENT NUMBER-DATE

09136 JUL 28 09137 JUL 28

FPSC-RECORDS/REPORTINGFPSC-RECORDS/REPORTING

**RUTLEDGE, ECENIA, PURNELL & HOFFMAN**

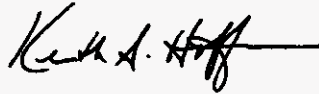
Ms. Blanca S. Bayo, Director

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July 28, 2000

Thank you for your assistance with this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth A. Hoffman", with a horizontal line extending to the right.

Kenneth A. Hoffman

KAH/rl

Enclosures

cc: Ms. Pam Brewer  
Mr. John Guastella

Placid.bayo69

ORIGINAL

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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

Docket No. 000295-WU

Filed: July 28, 2000

**AMENDED 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 it Amended Application for authority to increase water rates 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 Amended 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

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4. This Amended Application is filed pursuant to Sections 367.081, Florida Statutes (1999) and 367.082, Florida Statutes (1999). Applicant filed its original Application for increased water rates on June 9, 2000. On June 28, 2000, the Director of the Commission's Division of Economic Regulation issued a letter to the undersigned outlining deficiencies and areas of concern in Applicant's original Application ("deficiency letter"). This Amended Application, including the Revised Minimum Filing Requirements accompanying this Amended Application and incorporated herein by reference, amends the original Application, as appropriate, to fully respond to each deficiency outlined in the deficiency letter and ensure compliance with all applicable Commission rules.

5. The information provided by the Applicant in response to each deficiency and area of concern set forth in the deficiency letter is found in the following sections of the Revised Minimum Filing Requirements or other contemporaneously filed documents:

a. Deficiency No. 1: This information is set forth behind Schedule B-12 under cover page entitled Supplemental Information Required by Rule 25-30.436(4)(h), F.A.C.

b. Deficiency No. 2: This information is provided in Schedule F-8.

c. Deficiency No. 3: This information is provided in Schedules D-1, pages 3 and 4, and D-2, pages 3 and 4.

d. Deficiency No. 4(a): See map filed contemporaneously with Applicant's Amended Application and Revised Minimum Filing Requirements.

e. Deficiency No. 4(b): See work papers provided in Revised Volume III of the Revised Minimum Filing Requirements.

f. Deficiency No. 5: The Revised Minimum Filing Requirements have been tabbed as

required by Rule 25-30.437(1), Florida Administrative Code.

g. Area of Concern No. 1: See information provided in Scheduled F-8 of the Revised Minimum Filing Requirements.

h. Area of Concern No. 2: See Revised Schedule A-2 of the Revised Minimum Filing Requirements.

i. Area of Concern No. 3: See Revised Rate Base Schedules (Sch. A-5, pg. 1; Sch. A-9, p. 1; Sch. A-12, pg. 1; Sch. A-14, pg. 1) and explanation with Cost of Capital Schedules (D Schedules).

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

7. An Affidavit signed by Pam Brewer, Secretary of the Applicant, on June 7, 2000, 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, was attached as Exhibit "A" to Applicant's original Application filed on June 9, 2000.

8. 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.

9. A check in the amount of \$2,000.00 as the filing fee for this request for increased water rates was filed with Applicant's original Application.

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

11. 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 (9.24%). 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.

12. 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 of plant additions installed since mid-year 1995 which comprise most of the current rate base of \$614,178. These costs have already been incurred.

13. 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 10.97%. 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.

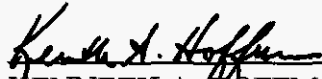
14. Based on the foregoing and in order to have an opportunity to earn a fair and reasonable rate of return on its rate base for water services, the Commission should allow Applicant to place into effect final rates which will produce increased annual sales revenues for water operations of \$232,233. Such increase would result in total annual water revenues of \$485,481.

15. Pending the establishment of final rates in this proceeding, Applicant requests interim water rates as set forth in its Revised 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 \$211,238.

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 \$211,238;
- C. That the Commission allow Applicant to place into effect final rates which will produce additional operating revenues in the amount of \$232,233;
- D. That the Commission find that a fair and reasonable rate of return on Applicant's rate base is 10.97% 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, Eckenrode, Purnell & Hoffman, P.A.

P. O. Box 551

Tallahassee, FL 32302

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Placid\Application.2