

David B. Erwin
Attorney At Law

127 Riversink Road
Crawfordville, Florida 32327

Telephone 850.926.9331
Fax 850.926.8448
dberwin@worldnet.att.net

August 9, 2001

E. Leon Jacobs, Jr. Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

011073-WS

Dear Chairman Jacobs:

Ferncrest Utilities, Inc., 3015 S. W. 54th Avenue, Davie, Florida 33314 intends to file an application for general rate relief to the Florida Public Service Commission (hereinafter FPSC or Commission). The application will seek to increase rates in its water system (Certificate No. 13W) and its wastewater system (Certificate No. 10S), both of which are located in Broward County.

This letter requests approval of a test year. Ferncrest Utilities, Inc. requests that you approve an historic 12 month test period ended December 31, 2000, in order to determine the establishment of appropriate rates on a going-forward basis. The utility requests that the same test period be used for both interim and permanent rates. The requested test period is appropriate for the following reasons:

1. A 12 month test year ended December 31, 2000, is representative of current operations.
2. The company did not during the test period make major changes in the way in which water or wastewater operations are conducted.
3. There were no significant population changes during the test period. There may be another addition to the Palm Trace Apartments within the company's certificated territory, but the company is not aware of any firm schedule to proceed with construction. Nevertheless, the company will calculate appropriate adjustments, for example in used and useful plant, in order to protect the interests of existing customers, in the same manner that the Commission resolved the identical potential revenue and expense distortion in the previous Ferncrest Utilities, Inc. rate proceeding in Docket No. 940765-WS.
4. Use of the requested test year will require very few pro forma adjustments to the test year, and the two major adjustments would be made regardless of the test period chosen. One employee's salary expense will be eliminated, and a proposed chlorine generator will be included in rate base. The chlorine generator, which will cost

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approximately \$150,000, will primarily benefit current customers and is a piece of equipment much favored by the Department of Environmental Protection, although not yet mandated by the agency for use by utilities.

Ferncrest Utilities, Inc.'s last rate case was initiated by the company and was given Docket No. 940765-WS. Order No. PSC-95-1399-FOF-WS, issued November 15, 1995, in that docket set Ferncrest Utilities, Inc.'s rates and charges and established a rate base for both systems and a range for return on equity of 10.88% to 12.88%, for future rate-setting purposes, even though the utility had not requested a return on equity, because accumulated losses had created a very large deficit condition. (The final rate order, PSC-95-1399-FOF-WS, page 9, calculated a rate of return for Ferncrest Utilities, Inc. of 10.68%, omitting any current consideration of a return on equity investment.)

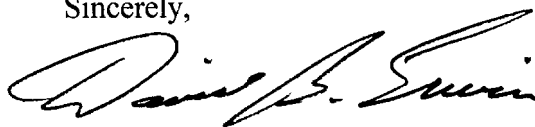
At the end of calendar year 2000, and at the present time, both the water and wastewater systems of Ferncrest Utilities, Inc. have operating losses after taxes and depreciation. The utility has given no consideration to interest expense because of the immense difference between rate base investment and the debt, which continues to remain unpaid and grow ever larger as a result of compounding interest. Once again, Ferncrest Utilities, Inc. seeks to recover its expenses and a fair return on its rate base, without any expectation of revenue recovery that would cover actual interest charges that continue to accrue.

Ferncrest Utilities, Inc. requests that its petition for rate relief be processed using the FPSC's proposed agency action procedure, as allowed by Section 367.081(8), Florida Statutes, and as prescribed by Commission Rules.

If the test year requested is approved, Ferncrest Utilities, Inc., intends to submit its Petition for Rate Relief and its minimum filing requirements (MFRs) on or before November 30, 2001.

Thank you for your attention to this request.

Sincerely,



David B. Erwin

DBE:jm

Cc: Blanca Bayo, Clerk, FPSC
Marshall Willis, FPSC
Patricia Merchant, FPSC
Larry Harris, Attorney, FPSC
Rosanne Gervasi, Attorney, FPSC

Bob Crouch, FPSC
Bob Salerno, FUI
Andrew Trumbach, American
Marketing and Management