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March 8, 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: Placid Lakes Utilities, Inc.'s Request for Approval of Test Year

Dear Ms. Bayo:

Placid Lakes Utilities, Inc. ("Placid Lakes") is a Class B water utility providing service in Highlands County. By this letter and pursuant to Rule 25-30.430, Florida Administrative Code, Placid Lakes requests approval of a projected test year ended December 31, 1999 for a rate case (Application and Minimum Filing Requirements hereinafter referred to collectively as the "Rate Application") to be filed within ninety (90) days of approval of this test year letter. Placid Lakes proposes to use the historic twelve months ended December 31, 1998 and the 1998 year-end rate base as the basis for requesting interim rates pursuant to Section 367.082(1), Florida Statutes. Fifteen copies of this letter are enclosed for distribution to the Commission staff.

The base year financial and operating information for the projected 1999 test year data is compiled from the calendar year ended December 31, 1998. This historical information was examined and found to be a reasonable representation of Placid Lakes' typical and normal level of operations. The major plant additions to the source of supply, pumping equipment and storage facilities were placed in service in 1997. Operation and maintenance costs for calendar year 1998 were indicative of Placid Lakes' current operations and costs. There were no extraordinary maintenance or rehabilitation projects undertaken in 1998. Customer growth in 1998 occurred at a level consistent with prior years.

The 1998 base year information was then projected forward to year-end 1999 for all known and measurable changes. Historical 1998 information was utilized when the process of preparing

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the Minimum Filing Requirements began in September of 1999. Due to the relative small size of this utility, significant accounting analysis was required in order to comply with the extensive information and format of the Minimum Filing Requirements. Placid Lakes is currently experiencing a severe earnings shortfall. In order to avoid the delay of waiting for the close of the 1999 calendar year information, projected information was utilized for the purposes of this Rate Application. Updated information would offer little change to the 1999 pro forma rate base and most of the major expense items, to date, indicate that the projections reflected in the Minimum Filing Requirements for the 1999 projected test year are representative of the actual levels of expense.

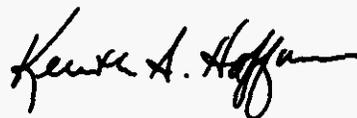
The proposed increase, in large part, is to cover the \$550,000 of plant additions installed since mid-year 1995 which comprises most of the current rate base of \$705,034. These costs have already been incurred. The 1999 projected test year was utilized to enable the utility to recover its current cost of operations. The Placid Lakes' operation and maintenance expenses exceed the revenues produced by the current rates. Placid Lakes is seeking to recover its current level of operating costs and a fair rate of return on its rate base investment.

Finally, Placid Lakes requests that the Rate Application be adjudicated pursuant to the proposed agency action process provided for in Section 367.081(8), Florida Statutes.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your consideration of the requests made in this letter and your assistance with this filing.

Respectfully submitted,



Kenneth A. Hoffman  
Attorney for Placid Lakes Utilities, Inc.

cc: Ms. Pam Brewer  
Mr. John Guastella

Placid.bayo