June 5, 1996

VIA HAND DELIVERY

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

960704-WS

Re: Lake Utility Company
     Petition for Change in Approved AFUDC Rate
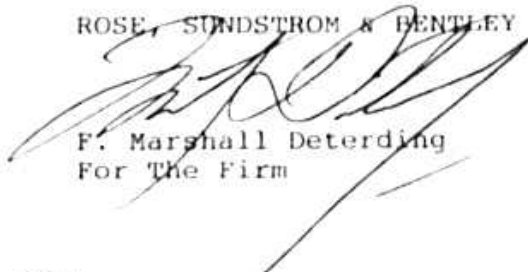   Our File No. 26048.03

Dear Ms. Bayo:

Attached are the original and fifteen copies of a Petition for Change in Approved Allowance for Funds Used During Construction (AFUDC) Rate to be filed on behalf of Lake Utility Company. Please see to it that this is properly filed and distributed to the appropriate Staff members. Please note that all correspondence, orders or other information relative to this docket should be forwarded to me at the address outlined below:

                F. Marshall Deterding, Esquire
                ROSE, SUNDSTROM & BENTLEY
                2548 Blairstone Pines Drive
                Tallahassee, Florida 32301

Should you or any members of the Staff have any questions, please do not hesitate to contact me.

                Sincerely,

                ROSE, SUNDSTROM & BENTLEY

                F. Marshall Deterding
                For The Firm

FMD/lts
Enclosures
cc: Mr. Earl Thiele
     Robert C. Nixon, CPA

DOCUMENT NUMBER-DATE

06152 JUN-5 %

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Lake   )
Utility Company for change   )   Docket No. _____
in approved AFUDC Rate.   )
_____)

PETITION FOR CHANGE IN APPROVED AFUDC RATE

PETITIONER, Lake Utility Company (hereinafter "Petitioner",
"Utility" or "LUC"), pursuant to Chapter 367, Florida Statutes, and
Section 25-30.116, Florida Administrative Code, hereby files this
Petition for Change in Approved Allowance for Funds Used During
Construction (AFUDC) Rate and in support thereof states as follows:

I.

The following information is provided in accordance with the
requirements of Rule 25-22.036(7), FAC:

     (a)   The name and address of the Petitioner is:

          Lake Utility Company
          25201 U.S. Highway 27 South
          Leesburg, Florida 32748-9099

     (b)   Petitioner's interest:

The Petitioner is a water and wastewater utility, as
defined by Section 367.021(12), Florida Statutes, and is not
exempt from regulation by the Commission pursuant to Section
367.022, Florida Statutes. Petitioner may implement a change
in its approved AFUDC charge only with approval of the
Commission under the criteria established in Rule 25-30.116,
FAC.

The Utility's current AFUDC rate was established in its
Application for Original Grandfather Certificates by Order No.
22846, issued on April 23, 1990. Changes in the costs of
various components of capital and the capital structure have
resulted in the need for a change in the Utility's AFUDC rate.

The Utility now seeks approval for such a rate change effective immediately.

(c) Ultimate Facts Alleged:

The Petitioner alleges that the calculation of the appropriate new AFUDC rate as contained in the attached Schedules A, B and C are in accordance with the requirements of Rule 25-30.116, FAC, that approval of such rate is necessary in order for the Utility to accurately accrue and recover its costs of providing utility service, and that the Commission should approve that rate expeditiously.

II.

The following specific information is provided in accordance with the requirements of Rule 25-30.116(4), FAC:

(a) Attached hereto as **Schedule A** is a schedule showing the capital structure, cost rates, and weighted average costs of capital, that form the basis for the AFUDC rate calculated in accordance with the provisions of Section 25-30.116(2), FAC.

(b) Attached hereto as **Schedule B** is a schedule showing the capital structure adjustments including unadjusted capital structure, reconciling adjustments, and adjusted capital structure that form the basis for the AFUDC rate calculated here in accordance with the provisions of Section 25-30.116(2), FAC.

(c) Attached hereto as **Schedule C** is a schedule showing the calculation of the monthly AFUDC rate using the methodology set out in Rule 25-30.116, FAC.

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III.

Other information that the Petitioner deems relevant is as follows:

(a) In addition to the Petitioner as listed in Section I hereof, counsel to the Utility as listed below should receive copies of all orders, notices and other communications concerning this Petition:

> F. Marshall Deterding, Esquire
> ROSE, SUNDSTROM & BENTLEY
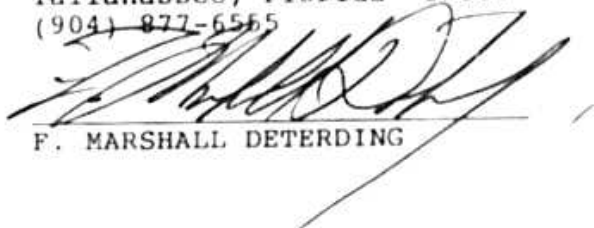> 2548 Blairstone Pines Drive
> Tallahassee, Florida   32301

(b) The Petitioner requests that the new AFUDC rate calculated herein be effective for the month following the end of the twelve month period used to establish that rate, in accordance with the authority outlined under Sec ion 25-30.116(5), FAC.

IV.

Petitioner hereby requests that the Public Service Commission consider the information contained herein and approve this Petition for Approval of AFUDC Rate and the rate shown on **Schedule A** hereof in an expeditious manner so that that rate may be implemented as quickly as possible.

Respectfully submitted this 5 th day of June, 1995 by:

ROSE, SUNDSTROM & BENTLEY
2548 Blairstone Pines Drive
Tallahassee, Florida   32301
(904) 877-6565

F. MARSHALL DETERDING

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Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

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(813) 791-4020
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(813) 797-3602

April 30, 1996

To the Partners
Lake Utility Company

In accordance with your request, we have prepared the accompanying Special Report of Lake Utility Company, consisting of Schedules A, B, and C. This Report is intended solely for use as part of an application for approved AFUDC rate, based on the 12 months ended February 29, 1996, to be filed with the Florida Public Service Commission.

Because this Special Report was not audited by us, we do not express an opinion or any other form of assurance on it.

Cronin, Jackson, Nixon & Wilson

CRONIN, JACKSON, NIXON & WILSON

Lake Utility Company
Average Cost of Capital Used to
Calculate Annual AFUDC Rate
For the Year Ended February 29, 1996
(Unaudited)

Line No.		Average Balance 02/29/96	Percent Ratio	Cost of Each Percent	Weighted Cost
1	Capital Structure				
2	Long-term debt	$3,218,031	100.00%	9.75%	9.75%
3		$3,218,031	100.00%		9.75%

Schedule A

Lake Utility Company
Schedule of Average Capital Structure and Adjustments
For the Year Ended February 29, 1996
(Unaudited)

Line No.		Average Balance Per Books	Adjustments	Adjusted Average Balance
1	Class of Capital			
2	Common equity (deficit)	$ (756,277)	$ 756,277 (1)	$ 0
3	Long-term debt	3,218,031		3,218,031
4		$2,461,754	$ 756,277	$3,218,031

5   Note (1): Adjustment to remove negative equity from capital structure.

Lake Utility Company
Schedule of Average Capital Structure
For the Year Ended February 29, 1996
(Unaudited)

Line No.		Proprietary Capital	Long-term Debt Interdivisional Payable
1	March, 1995	$ (728,135)	$ 3,164,688
2	April, 1995	(741,874)	3,168,813
3	May, 1995	(726,763)	3,137,356
4	June, 1995	(716,719)	3,096,527
5	July, 1995	(708,165)	3,074,152
6	August, 1995	(699,924)	3,053,245
7	September, 1995	(739,267)	3,064,770
8	October, 1995	(749,700)	3,088,761
9	November, 1995	(749,765)	3,200,958
10	December, 1995	(823,994)	3,494,993
11	January, 1996	(840,038)	3,523,914
12	February, 1996	(850,983)	3,548,200
13	12-month average	$ (756,277)	$ 3,218,031
14	Interest rate		9.75%

Lake Utility Company
Calculation of AFUDC Rate
(Unaudited)

Line
No.

1   I.   Formula

2            $M = [(1 + \frac{A}{100})^{1/12} - 1] \times 100$
3

4   Where:
5   M = Discounted monthly AFUDC Rate
6   A = Annual AFUDC Rate

7   II. Application

8            $M = [(1 + \frac{9.75}{100})^{1/12} - 1] \times 100$
9

10           $M = [(1.0975)^{1/12} - 1] \times 100$

11           $M = [1.007783 - 1] \times 100$

12           $M = .7783$