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September 11, 2008

Chairman Matthew M. Carter, II
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

080597-WS

Re: Southlake Utilities, Inc. WS638
2008 General Rate Increase Application

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COMMISSION
CLERK

Dear Chairman Carter:

Pursuant to Rule 25-30.430, Florida Administrative Code, Southlake Utilities, Inc. (the "Company") requests approval of a test year for the filing of an application for a general rate increase. The Company intends to submit an application for general rate relief to the Florida Public Service Commission for its water and wastewater systems located in Lake County, Florida. The Company intends to submit the minimum filing requirements ("MFRs") on or before thirty (30) days after receipt of the approval of a test year for the filing of an application for a general rate increase.

The Company requests approval of a projected test year ending December 31, 2008. The historic base year ended December 31, 2007 and the projected test year ending December 31, 2008 reflect recent historic data and have been adjusted for "known and measurable" changes in order to fairly and accurately represent the Company's current full year of operations.

The Company's last rate proceeding was in Docket No. 900738-WS, the Company's initial rate filing prior to its first providing water and wastewater service in 1994, which culminated in Proposed Agency Action Order No. 24564 issued May 21, 1991. The only rate adjustments made to the initial rates have resulted from periodic price index and pass-through rate adjustments.

Since the Company's initial rate proceeding, the Company has invested approximately \$5,900,000 in water and wastewater plant in service additions, net of contributions-in-aid-of construction. The Company's \$3,500,000 of water system investment primarily covers \$1,300,000 for additional source of supply and \$1,200,000 for additional storage facilities. The company's \$2,400,000 of wastewater system investment primarily covers treatment plant and

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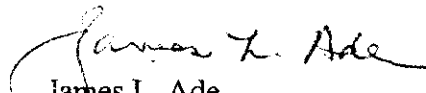
pumping facilities expansion and upgrades. The utility is currently serving approximately 1,800 more customers than it served at year-end 2000.

The Company maintains that the use of a projected test year is more representative of the Company's operations than a historical period. The use of a projected test year not only allows the inclusion of capital expenditures to be made through December 31, 2008, but also "known and measurable" changes to operating expenses. The projected test year allows for the inclusion of an additional \$204,000 of plant in service costs relating to water transmission and distribution facilities and sewer collection facilities necessary to provide service for the anticipated level of customer growth. The projected test year also allows for the recovery of wage increases that have occurred or will occur subsequent to the end of the base year (December 31, 2007), adjusted expenses relating to changes in system demands and flows placed on the Company, and anticipated price increases.

Pursuant to Section 367.081(8), Florida Statutes, the Company requests that the Commission process this petition for rate relief using the proposed agency action procedure. The Company will request interim rates based on the historic test year ended December 31, 2007.

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

Sincerely,



James L. Ade

JLA/lefr

cc: Commission Clerk
Mr. Marshall Willis