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ORIGINAL
FILE COPY

February 4, 1997

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

Re: Docket No. ~~960451-WS~~; Application of United Water
Florida Inc., Late-Filed Exhibit 30

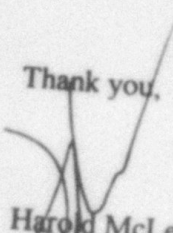
Dear Ms. Bayo:

I enclose Late Filed Exhibit 30 in the above-captioned matter. The exhibit includes four pages including its narrative explanation.

This Exhibit was requested by Staff Counsel of Citizens' Witness Hugh Larkin during the hearing in the case.

If you have any questions concerning this matter, please contact the undersigned at the letter head address or telephone number.

Thank you,


Harold McLean
Associate Public Counsel

ACK _____
AFA _____
APP _____
CAF _____
CMU _____
CTR _____ HM:bsr
EAG _____ Enclosure
LEG 1 _____
LIN 5 cc: All parties of record
OPC _____
RCH _____
SEC 1 _____
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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE

01266 FEB-4 97

FPSC-RECORDS/REPORTING

Late Filed Exhibit 30
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EXPLANATION ACCOMPANYING LATE FILED EXHIBIT 30

Late Filed Exhibit 30 recalculates the weighted cost of debt to give affect to the entire issuance of the \$20 million dollar tax exempt bond issue, issued under the auspices of the City of Jacksonville for the projects contemplated within this hearing.

Starting with Schedule D-5, page 1 of 6, the recalculation is made as follow: I have included a copy of the Company's schedule and made adjustments to that. On line 19A, which I have filled in, I have added the difference between the bond issue outstanding at December 31, 1995, which was \$2,561,172 and \$20,000,000. The additional dollars which were in the hands of the trustee are shown on 19A and are \$17,438,828. Since this is additional debt outstanding, it has to be added to the December 31, 1995 balance. The total outstanding debt for this calculation is shown on line 20A and is \$243,115,904.

Also on page 1 of 6, Schedule D-5, I have recalculated the unamortized discount associated with the addiional balance outstanding. This is a conservative approach and it is my feeling that the balance shown in the column by the Company is probably the entire amount outstanding, but in any case, I have recalculated additional unamortized discount. This was calculated as follows: I took the current balance of unamortized discount outstanding of \$67,295 and divided that by the balance of principle outstanding at December 31, 1995 of \$2,561,172 to arrive at a percentage relationship of 2.6275%. I multiplied that percent by the additional balance which I'm adding to the debt outstanding at December 31, 1995 to arrive at additional unamortized discount of \$458,207. This balance is added to the balance outstanding at December 31, 1995 of \$3,421,158. The adjusted balance is then \$3,879,365.

All the remaining adjustments will be made on Schedule D-5, page 2 of 6, which I've also included in this late filed exhibit. Starting with line 19A, column 8, the additional annual amortization of premium/discount is calculated by taking the amount on line 19A, page 1 of 6 of \$458,207 and dividing that by 30, the number of years the debt issue will be outstanding, to arrive at \$15,274. The annual amortization of issuing expense on the debt outstanding is calculated by taking the amount on Schedule D-5, page 1 of 6, of \$570,647 and also dividing that by 30 to arrive at an annual amortization amount of \$19,021. Again, these are conservative calculations because the amount shown on line 19, page 2 of 6 probably includes all of the amortization for the balance outstanding. Continuing on with a calculation on line 19A, interest cost shown in column 10 is calculated by multiplying a coupon rate of 6.20 percent times the additional debt outstanding of \$17,438,828. The additional interest is \$1,081,207. The total interest cost for book purposes or rate making purposes would be the sum of

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column 8- \$15,274, plus column 9- \$19,021, and column 10- \$1,081,207, which equals \$1,115,502. Adding this balance to the total interest cost, as calculated by the Company of \$18,954,057, equals a revised interest cost of \$20,069,559. The calculation of the weighted cost of debt, as shown in my testimony, would be calculated as follows: adding the revised debt carrying cost of \$20,069,559 and dividing that by the debt outstanding shown on schedule D-5, page 1 of 6 of \$243,115,904 minus the unamortized discount and unamortized issuing expense outstanding of \$3,879,365 and \$4,955,767 equals \$234,280,772. The weighted cost of debt calculated from these numbers is 8.57%.

While calculating this late filed exhibit, I noticed that the Company's Schedule D-5 contained an error. Column 9, which is the annual amortization of issuing expense on principle outstanding, had not been added into the total interest cost shown in column 11. This mistake probably occurred because the Company's spreadsheet did not pick up this column and add it to column 10. I have corrected for the Company's error. The correction is shown on line 21, Schedule D-5, page 2 of 6, of my Late Filed Exhibit 30. Line 21 shows a corrected total interest cost of \$20,261,332. When dividing this number by the principle balance outstanding less unamortized discount and unamortized issuing expense, a weighted cost of debt of 8.65% is obtained.

Cost of Long-Term Debt
 13-Month Average Basis
 Company: United Waterworks Inc
 Docket No. 980481-WB
 Test Year Ended: 12/31/96
 Utility or Parent
 Historic or Projected

Florida Public Service Commission
 Schedule D-6
 Page 1 of 6
 Preparer: McGuire

Explanation: Provide the specified data on long-term debt issues on a 13-month average for test year. Arrange by type of issue. If the utility is a subsidiary submit an additional schedule for parent.

(1) Line No.	(2) Description, Coupon Rate, Years of life	(3) Coupon Rate	(4) Issue Date, Maturity Date	(5) Principal Amt. Sold	(6) Principal Amount Outstanding at 12/31/96	(7) Amount Outstanding Within 1 Year	(8) Unamortized Discount (Premium) Associated with Column 4 Arbitrage	(9) Unamortized Issuance Expenses Associated with Column 4
(TEF-Tax-exempt Bonds)								
1	Mortgage Bonds	7.10%	1988/2008	1,884,258	1,373,738	1,281,234		
2	Prom Note	8.55%	1991/1998	20,000,000	10,000,000	0		8,513
3	Prom Note	10.20%	1997/1997		18,000,000	18,000,000		
4	Prom Note	8.87%	1988/1998	20,000,000	20,000,000	20,000,000		
5	Prom Note	8.48%	1989/1999		11,250,000	10,500,000		
6	Prom Note	10.18%	1998/2003		20,000,000	20,000,000		
7	Prom Note	10.05%	1996/2010		16,000,000	15,000,000		84,284
8	Prom Note	8.57%	1991/2011		4,186,000	4,186,000		411,813
9	Prom Note	8.70%	1992/2017		10,000,000	10,000,000	76,388	778,836
10	Medium Term Note	5.84%	1994/2024		2,886,132	2,886,132		
11	TEF, Delaware	8.20%	1995/2025		4,850,000	4,850,000	1,083,784	768,818
12	TEF, Del.	8.45%	1992/2007		30,000,000	29,635,000	408,838	213,432
13	TEF, Idaho	7.88%	1991/2021		12,000,000	12,000,000	776,163	487,837
14	TEF, Fla.	8.78%	1992/2022		17,000,000	17,000,000	518,853	276,464
15	TEF, Del.	8.50%	1992/2023		10,017,218	10,017,218	340,731	178,748
16	TEF, NY	8.40%	1992/2024		10,000,000	10,000,000	80,338	1,282,876
17	TEF, Pa.	8.80%	1992/2024		12,553,816	12,553,816	87,386	578,847
18	TEF, Idaho	8.40%	1994/2024		2,861,172	2,861,172	458,207	
19	TEF, Fla.	8.30%	1995/2025		174,368,256		8,421,188	4,986,787
19A		8.20%			236,877,076	214,306,671		
20	Total				243,115,904		357,265	

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19A

20A

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Cost of Long-Term Debt
 12-Month Average Bonds
 Company: United Waterworks Inc
 Docket No. 990451-UB
 Test Year Ended: 12/31/88
 Utility (I) or Parent (C)
 Historic (H) or Projected (P)

Florida Public Service Com
 Schedule D-6
 Page 2 of 6
 Preparer: McGuire

Explanation: Provide the specified data on long-term debt issues on a 12-month average for test year. Arrange by type of issue. If the utility is a subsidiary submit an additional schedule for parent.

Line No.	Description, coupon Rate, Years of life	Coupon Rate	(8) Annual Amort. of Discount/Premium on Principal Outstanding	(9) Annual Amortization of Issuing Expenses on Principal Outstanding	(10) Interest Cost (Coupon Rate x Column (4))	(11)	(12)
						Total Interest Cost (8)-(9)+(10)	Effective Cost Rate (11)/(8-9-7)
(TEF=Tax-exempt Bonds)							
1	Mortgage Bonds	7.10%			87,636	87,636	7.10%
2	Prom Note	8.80%			865,000	865,000	8.80%
3	Prom Note	10.20%		3,750	1,530,000	1,530,000	10.20%
4	Prom Note	8.87%			1,704,800	1,704,800	8.87%
5	Prom Note	8.40%			1,888,000	1,888,000	8.40%
6	Prom Note	10.15%			1,141,875	1,141,875	10.15%
7	Prom Note	10.80%			2,010,000	2,010,000	10.80%
8	Prom Note	8.57%			1,435,500	1,435,500	8.57%
9	Prom Note	8.70%		636	280,285	280,285	8.50%
10	Medium Term Note	8.0%		44,802	884,800	884,000	8.22%
11	TEF, Colorado	8.30%	8568	15,510	120,340	136,898	11.84%
12	TEF, Del.	8.40%		5,100	200,825	200,825	8.45%
13	TEF, Idaho	7.80%	44280	32,520	2,175,000	2,210,280	7.80%
14	TEF, Fla.	8.75%	17880	7,524	818,000	827,590	7.30%
15	TEF, Del	8.80%	31800	12,084	1,158,000	1,187,880	7.51%
16	TEF, NY	8.40%	22184	10,880	841,182	883,260	7.10%
17	TEF, Pa.	8.80%	13008	6,144	880,000	783,856	7.42%
18	TEF, Idaho	8.40%	22448	45,481	883,444	826,884	7.30%
19	TEF, Fla.	8.20%	8000	3,800	168,793	183,783	8.52%
19A			15274	1921	1,081,307	1,115,592	
20	Total		163,848	191,773	16,798,508	18,984,967	8.72%
20A	TOTAL				19,871,716	20,069,559	8.57%
21	CORRECTED TOTAL					20,261,332	8.65%

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 Late Filed Exhibit 30
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