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November 6, 1997

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

**HAND DELIVERY**

Re: Docket No. 920199-WS

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Water Services, Inc. ("Florida Water") are the original and fifteen copies of Florida Water's Notice of Filing Original Affidavit of Forrest L. Ludsen.

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 assistance with this filing.

Sincerely,



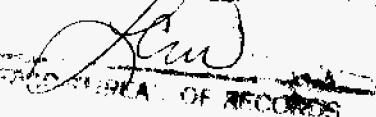
Kenneth A. Hoffman

ACK  
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AIR  
CAF  
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Enclosures

cc: All Parties of Record

RECEIVED & FILED



DOCUMENT NUMBER-DATE

11489 NOV-65004806

FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of )  
Southern States Utilities, )  
Inc. and Deltona Utilities, )  
Inc. for Increased Water and )  
and Wastewater Rates in Citrus, )  
Nassau, Seminole, Osceola, Duval, )  
Putnam, Charlotte, Lee, Lake, )  
Orange, Marion, Volusia, Martin, )  
Clay, Brevard, Highlands, )  
Collier, Pasco, Hernando, and )  
Washington Counties. )  
\_\_\_\_\_ )  
)

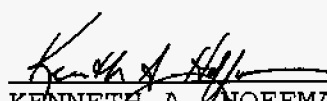
Docket No. 920199-WS

Filed: November 6, 1997

FLORIDA WATER SERVICES CORPORATION'S  
NOTICE OF FILING ORIGINAL AFFIDAVIT  
OF FORREST L. LUDSEN

Florida Water Services Corporation ("Florida Water"), by and through its undersigned counsel, hereby files and serves notice that it has filed the original Affidavit of Forrest L. Ludsen, a copy of which is attached as Exhibit D to Florida Water's Brief on Remand Addressing Potential Refunds and Surcharges filed with the Commission on November 5, 1997. A copy of this Notice and of the original Affidavit have been served on this date on all parties of record.

Respectfully submitted,

  
\_\_\_\_\_  
KENNETH A. HOFFMAN, ESQ.  
RUTLEDGE, ECENIA, UNDERWOOD,  
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and

DOCUMENT NUMBER-DATE  
11489 NOV-65 004807  
FPSC-RECORDS/REPORTING

BRIAN P. ARMSTRONG, ESQ.  
Florida Water Services Corporation  
1000 Color Place  
Apopka, Florida 32703  
(407) 880-0058

Attorneys for Florida Water Services  
Corporation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by U.S. Mail this 6<sup>th</sup> day of November, 1997 to the following:

Lila Jaber, Esq.  
Division of Legal Services  
Florida Public Service  
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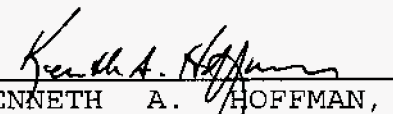
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320 Northwest 3<sup>RD</sup> Avenue  
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By:   
KENNETH A. HOFFMAN, ESQ.

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application of )  
Southern States Utilities, )  
Inc. and Deltona Utilities, ) Docket No. 920199-WS  
Inc. for Increased Water and )  
and Wastewater Rates in Citrus, )  
Nassau, Seminole, Osceola, Duval, )  
Putnam, Charlotte, Lee, Lake, )  
Orange, Marion, Volusia, Martin, ) Filed: November 5, 1997  
Clay, Brevard, Highlands, )  
Collier, Pasco, Hernando, and )  
Washington Counties. )  
\_\_\_\_\_)

STATE OF FLORIDA  
COUNTY OF ORANGE

**AFFIDAVIT OF FORREST L. LUDSEN**

BEFORE ME, the undersigned authority, appeared FORREST L. LUDSEN, personally known to me, who after being duly sworn, deposes and says:

1. I am Vice President of Business Development of Florida Water Services Corporation ("Florida Water"). My business address is 1000 Color Place, Apopka, Florida 32703.

2. I submit this Affidavit in support of Florida Water's brief addressing potential refunds and surcharges filed in this docket on November 5, 1997.

3. As Vice President of Business Development, I have supervisory responsibility for rates and rate-related matters, and as such am familiar with the facts set forth in this Affidavit and in Florida Water's Brief Addressing Potential Refunds and Surcharges.

4. Pursuant to Final Order No. PSC-93-0423-FOF-WS issued in this docket on March 22, 1993, the Commission determined that the

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appropriate weighted average cost of capital for Florida Water was 10.67% which included a cost rate for equity of 12.14% with a range of plus or minus 100 basis points. Subsequently, pursuant to Final Order No. PSC-96-1320-FOF-WS issued in Docket No 950495-WS on October 30, 1996, the Commission found the appropriate cost of capital for Florida Water to be 10.13%, based on an 11.88% return on equity. The Commission adjusted Florida Water's return on equity and overall cost of capital to 11.38% and 9.94%, respectively, for a period of two years beginning October 30, 1996.


5. The actual rate of return experienced by Florida Water for 1996 on a total company basis was 9.62%. With respect to the 127 service areas (including the Spring Hill water and wastewater service areas) in Docket No. 920199-WS analyzed on a combined basis, the actual rate of return for 1996 was 9.79%.

6. With respect to the Spring Hill land and facilities, a settlement agreement was reached between Hernando County and Florida Water on July 17, 1997, resolving issues arising out of an application for increased water and wastewater rates filed by Florida Water in Hernando County. The settlement agreement is attached to this Affidavit as Appendix 1. The revenue requirements for Florida Water's Spring Hill land and facilities were addressed under the settlement agreement pursuant to a 1996 cost of service study performed by Florida Water. Based on this cost of service study, Florida Water, which was underearning on its Spring Hill land and facilities for 1996, instituted stand-alone rates effective June 14, 1997 reflecting a revenue requirement increase

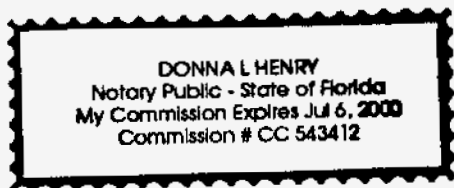
of approximately \$124,000. The \$124,000 revenue requirement increase was intended to permit Florida Water to earn its authorized 11.88% return on equity. On September 1, 1997, pursuant to the settlement agreement, Florida Water reduced the stand-alone rates for the Spring Hill customers in an amount reflecting an approximate \$1.6 million revenue requirement decrease -- this decrease constitutes a material reparation for alleged overpayments based on a modified stand alone rate structure dating back to 1993.


Further refunds for the period after January 23, 1996 would be duplicative. Under the settlement agreement, the stand-alone rates implemented effective September 1, 1997 will remain in effect until January 1, 1999, when new stand-alone rates reflecting a revenue requirement increase of approximately \$900,000 above the September 1, 1997 level will take effect.

7. FURTHER AFFIANT SAYETH NOT.

  
FORREST L. LUDSEN  
VICE PRESIDENT OF BUSINESS  
DEVELOPMENT  
Florida Water Services  
Corporation

Sworn to and subscribed before me, this 5<sup>th</sup> day of November, 1997, by FORREST L. LUDSEN, who is personally known to me.



  
DONNA L. HENRY  
NOTARY PUBLIC  
STATE OF FLORIDA AT LARGE  
My Commission Expires: 7-6-00

Giga.Lud