

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(850) 877-6555

ORIGINAL

CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
JOSEPH P. PATTON
DAREN L. SHIPPY, LL.M. TAX
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

TELECOPIER (850) 656-4029

December 31, 2001

VIA HAND DELIVERY

ROBERT M. C. ROSE
OF COUNSEL

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

Re: Forest Utilities, Inc. 011683-50
Application for Approval of AFUDC Rate
Our File No. 25052.03

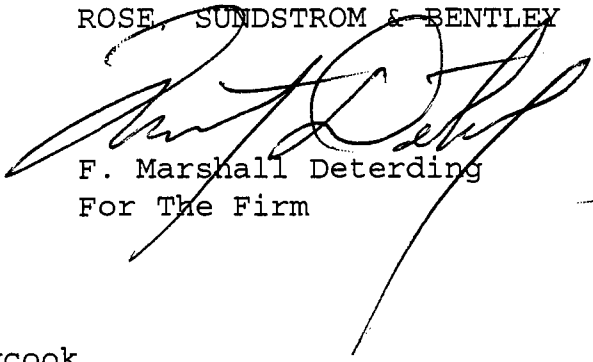
Dear Ms. Bayo:

Attached in accordance with the requirements of Commission rules and statutes is an application of Forest Utilities, Inc. to establish an AFUDC Rate.

Should you or any members of the Commission staff have any questions in this regard, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDSTROM & BENTLEY


F. Marshall Deterding
For The Firm

FMD/kll
Enclosures

cc: Ms. Marianne Haycook
Ms. Judy Mallett
Mr. David Swor

Forest\Bayo123101.ltr

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Forest)
Utilities, Inc. for)
establishment of an)
approved AFUDC rate.)
_____)

Docket No. 011683-50

PETITION FOR ESTABLISHMENT OF AN AFUDC RATE

PETITIONER, Forest Utilities, Inc. (hereinafter "Petitioner", "Utility" or "Forest"), pursuant to Chapter 367, Florida Statutes, and Section 25-30.116, Florida Administrative Code, hereby files this Petition for Establishment of an 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:

Forest Utilities, Inc.
Swor Realtors, Inc.
6385 Presidential Court, #104
Fort Myers, Florida 33919

(b) Petitioner's interest:

The Petitioner is a wastewater utility, as defined by Section 367.021(12), Florida Statutes, and is not exempt from regulation by the Florida Public Service Commission (hereinafter "PSC" or

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

"Commission") pursuant to Section 367.022, Florida Statutes. Petitioner may implement an approved AFUDC charge only with approval of the Commission under the criteria established in Rule 25-30.116, FAC.

The Utility has never had an AFUDC rate established in a prior proceeding before the Florida Public Service Commission. 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.

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 Section 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 31st day
of December, 2001, by:

ROSE, SUNDSTROM & BENTLEY, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(850) 877-6555



F. MARSHALL DETERDING

forest\afudc.pet

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

JAMES L. CARLSTEDT, C.P.A.
CHRISTINE R. CHRISTIAN, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
JEANETTE SUNG, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjinw.net

November 21, 2001

Officers and Directors
Forest Utilities, Inc.

In accordance with your request, we have prepared the accompanying Special Report of Forest Utilities, Inc. consisting of Schedules A, B, and C. This report is intended solely for use as part of an application for an approved AFUDC rate, based on the twelve months ended September 30, 2001, 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

FOREST UTILITIES, INC.
SPECIAL REPORT
PROPOSED AFUDC CHARGES
SEPTEMBER 30, 2001

Forest Utilities, Inc.
Average Cost of Capital Used to Calculate Annual AFUDC Rate
For the Twelve Months Ended September 30, 2001

<u>Line No.</u>	<u>Average Balance 9/30/2001</u>	<u>Percent Ratio</u>	<u>Cost of Each Percent</u>	<u>Weighted Cost</u>
1	<u>Capital Structure</u>			
2	\$ 164,461	33.75%	9.93%	3.35%
3	Long Term Debt			0.00%
4	Mortgage	309,572	63.53%	10.75%
5	Truck Loan	2,750	0.56%	8.14%
6	Customer Deposits	2,345	0.48%	6.00%
7	Deferred Income Taxes	<u>8,174</u>	<u>1.68%</u>	<u>0.00%</u>
8	<u>\$ 487,302</u>	<u>100.00%</u>		<u>10.26%</u>

Forest Utilities, Inc.
Schedule of Average Capital Structure and Adjustments
For the Twelve Months Ended September 30, 2001
(Unaudited)

Line No.		BALANCE 09/30/00	BALANCE 09/30/01	SIMPLE AVERAGE	ADJUSTMENTS	CAPITAL STRUCTURE
1	Common Equity	\$ 150,504	\$ 178,417	\$ 164,461		\$ 164,461
2	Long Term Debt					
3	Mortgage	320,119	299,025	309,572		309,572
4	Truck Loan	5,500	-	2,750		2,750
	Customer Deposits	2,345	2,345	2,345		2,345
5	Deferred Income Taxes	2,722	13,625	8,174		8,174
		<u>\$ 481,190</u>	<u>\$ 493,412</u>	<u>\$ 487,302</u>	<u>\$ -</u>	<u>\$ 487,302</u>

**Forest Utilities, Inc.
Calculation of AFUDC Rate
(Unaudited)**

Line
No.

I. Formula

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

Where:

M = Discounted monthly AFUDC rate

A = Annual AFUDC rate

II. Application

$$M = \left[\left(1 + \frac{10.26}{100} \right)^{1/12} - 1 \right] \times 100$$

$$M = \left[\left(1.1026 \right)^{1/12} - 1 \right] \times 100$$

$$M = \left[1.008172466 - 1 \right] \times 100$$

$$M = 0.8172466$$