

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

CHRIS H. BENTLEY, P.A.
 ROBERT C. BRANNAN
 DAVID F. CHESTER
 F. MARSHALL DEJERDING
 JOHN R. JENKINS, P.A.
 STEVEN T. MINDLIN, P.A.
 DAREN L. SHIPPY
 WILLIAM E. SUNDBTROM, P.A.
 DIANE D. TREMOR, P.A.
 JOHN L. WILKINSON
 ROBERT M. C. ROSE, *Of Counsel*
 WAYNE L. SCHIEFFELBIN, *Of Counsel*

(850) 877-6555
 FAX (850) 656-4029
 www.rsballoorneys.com

REPLY TO ALTAMONTE SPRINGS

May 2, 2003

CENTRAL FLORIDA OFFICE
 600 S. NORTH LAKE BLVD., SUITE 160
 ALTAMONTE SPRINGS, FLORIDA 32701
 (407) 830-6331
 FAX (407) 830-8522

MARIN S. FRIEDMAN, P.A.
 VALERIE L. LORD, *Of Counsel*
 (LICENSED IN TEXAS ONLY)

VIA HAND DELIVERY

Ms. Blanca Bayo
 Commission Clerk and Administrative Services Director
 Florida Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, FL 32399

RE: Docket No. 020408-SU; Alafaya Utilities, Inc.
 Application for Rate Increase in Seminole County, Florida
Our File No. 30057.46

Dear Ms. Bayo:

Pursuant to several telephone conferences with Kay Flynn this morning, it is our understanding that the Clerk's office has no record of our April 30, 2003, Response to the Staff's Third Data Request (which was faxed to you on April 30, 2003, and hand delivered on May 1, 2003). It is our further understanding that you have no record of Adrienne Vining's April 8, 2003, Staff's Third Data Request to which we were responding. Therefore, enclosed you will find for filing a copy of Adrienne Vining's April 8, 2003, Third Data Request along with a copy of our April 30, 2003, Response thereto.

Should you have any questions concerning this matter, please do not hesitate to give me call.

Very truly yours,



VALERIE L. LORD
 Of Counsel

MSF/dmp
 Enclosures

cc: Ms. Kay Flynn (w/enclosures) (via hand delivery)

DOCUMENT NUMBER-DATE
 04028 MAY-23
 FPSC-COMMISSION CLERK

STATE OF FLORIDA

COMMISSIONERS:
 LILA A. JABER, CHAIRMAN
 J. TERRY DEASON
 BRAULIO L. BAEZ
 RUDOLPH "RUDY" BRADLEY
 CHARLES M. DAVIDSON



OFFICE OF THE GENERAL COUNSEL
 HAROLD A. MCLEAN
 GENERAL COUNSEL
 (850) 413-6199

RECEIVED

APR 10 2003

Public Service Commission Rose Sundstrom & Bentley, LLP

April 8, 2003

STAFF'S THIRD DATA REQUEST

Martin Friedman, Esquire
 Rose, Sundstrom & Bentley, LLP
 600 S. North Lake Blvd., Suite 160
 Altamonte Springs, Florida 32701

Re: Docket No. 020408-SU - Application for Rate Increase in Seminole County by Alafaya Utilities, Inc.

Dear Mr. Friedman:

By this letter, the Commission staff requests that Alafaya Utilities, Inc. (Alafaya or utility) please provide responses to the following data requests.

Special Depreciation Allowance and Accumulated Deferred Income Taxes

According to a new law implemented in 2002, a special depreciation allowance was created to allow the recovery of a portion of the cost of qualified property. Specifically, the new law provides for an additional first-year depreciation deduction equal to 30% of the adjusted basis of qualified property placed into service after September 10, 2001, and before September 11, 2004.

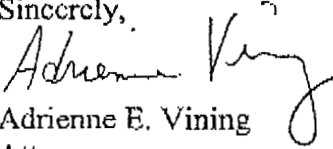
- a) If Alafaya has filed its 2002 tax return, did it claim the special depreciation allowance on any plant additions placed in service from September 10, 2001, to December 31, 2002?
- 1) If so, please provide a calculation of the impact on the utility's accumulated deferred income taxes for the year ending December 31, 2002.
 - 2) If not, does Alafaya plan to amend its 2002 tax return in order to claim the special depreciation allowance? If yes, please provide a calculation of the impact on the utility's accumulated deferred income taxes for the year ending December 31, 2002.
- b) If Alafaya has not filed its 2002 tax return, does it plan to claim the special depreciation allowance on any plant additions placed in service from September 10, 2001, to December 31, 2002? If so, please provide a calculation of the impact on the utility's accumulated deferred income taxes for the year ending December 31, 2002.

Martin Friedman, Esquire
Page 2
April 8, 2003

c) For the 2003 tax year, does Alafaya plan to claim the special depreciation allowance on any pro forma plant additions reflected on MFR Schedule A-3? If so, please provide a calculation of the impact on the utility's accumulated deferred income taxes.

Please file the original and five copies of the requested information by April 30, 2003, with Ms. Blanca Bayó, Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6183 if you have any questions.

Sincerely,


Adrienne E. Vining
Attorney

cc: Division of the Commission Clerk and Administrative Services
Division of Economic Regulation (Fletcher)

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MARTIN S. FREIDMAN, P.A.
VALERIE L. LORD, *OF COUNSEL*
(LICENSED IN TEXAS ONLY)

April 30, 2003

VIA FACSIMILE & FEDERAL EXPRESS

Ms. Blanca Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Alafaya Utilities, Inc.; Application for Rate Increase
in Seminole County, Florida; Docket No. 020408-SU
Our File No. 30057.46

Dear Ms. Bayo:

Alafaya Utilities, Inc. submits the following in response to Staff's data requests dated April 8, 2003:

Special Depreciation Allowance and Accumulated Deferred Income Taxes:

According to a new law implemented in 2002, a special depreciation allowance was created to allow the recovery of a portion of the cost of qualified property. Specifically, the new law provides for additional first-year depreciation deduction equal to 30% of the adjusted basis of qualified property placed into service after September 10, 2001, and before September 11, 2004.

(a) If Alafaya has filed its 2002 tax return, did it claim the special depreciation allowance on any plant additions placed in service from September 10, 2001, to December 31, 2002?

Response: Not applicable.

Ms. Blanca Bayo
 April 30, 2003
 Page 2

(1) If so, please provide a calculation of the impact on the utility's accumulated deferred income taxes for the year ending December 31, 2002.

Response: Not applicable.

(2) If not, does Alafaya plan to amend its 2002 tax return in order to claim the special depreciation allowance? If yes, please provide a calculation of the impact on the utility's accumulated deferred income taxes for the year ending December 31, 2002.

Response: Not applicable.

(b) If Alafaya has not filed its 2002 tax return, does it plan to claim the special depreciation allowance on any plant additions placed in service from September 10, 2002, to December 31, 2002? If so, please provide a calculation of the impact on the utility's accumulated deferred income taxes for the year ending December 31, 2002.

Response: Alafaya has not filed its 2002 tax return, but does plan to claim the special depreciation allowance on any plant additions placed in service from September 10, 2001 to December 31, 2002. Please see the attached schedules showing the bonus depreciation amount and the calculation of the deferred tax.

(c) For the 2003 tax year, does Alafaya plan to claim the special depreciation allowance on any pro forma plant additions reflected on MFR Schedule A-3? If so, please provide a calculation of the impact on the utility's accumulated deferred income taxes.

Response: Alafaya does plan to claim the special depreciation allowance on the pro forma plant additions reflected on MFR Schedule A-3. A calculation of the impact of these additions is as follows:

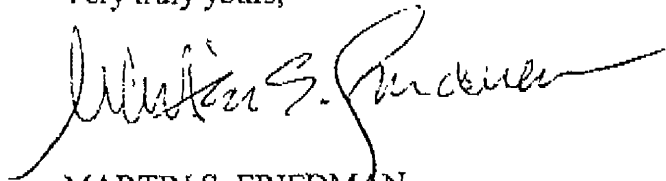
<u>Description</u>	<u>Amount</u>	<u>In Service in 2003</u>
Gorman Rupp submersible pump for lift station	\$6,718 Completed	
Design and construction of reuse system	\$1,147,221	\$1,147,221
On-site improvements to reclaimed water system	\$1,170,924 Completed	

Ms. Blanca Bayo
April 30, 2003
Page 3

<u>Description</u>	<u>Amount</u>	<u>In Service in 2003</u>
Motor/Blower at digester	\$ 10,168 Completed	
Connect to existing Phase I reuse main and install water main	\$512,228	<u>\$ 512,228</u>
Total		\$1,659,449
Estimated 30% bonus depreciation in 2003		\$ 497,835

Should you have any questions concerning the enclosed, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF:VLL/dmp
Enclosures

cc: Mr. Steven M. Lubertozi (w/enclosures)
Mr. D.W. Rasmussen (w/o enclosures)
Mr. David L. Orr (w/enclosures)

UTILITIES, INC.

Calculation Tax Depreciation
12/31/01

Company Number 67

LINE
#

Alafaya

Tax Depreciation on Plant In Service
per Tax Depreciation Schedules 342,584

EBV Adjustments (w/p B) (315,688)

Book Depreciation on Autos 11,547

Book Depreciation on Computers _____

Total Tax Depreciation to be reported on SE-3 38,443

UTI: IES, INC.

CALCULATION OF ACRS DEFERRED TAX
12/31/01

67

	<u>Alafaya</u>
<u>CURRENT YEAR SE3</u>	
Tax Depreciation	38,443
Adj. for Tax. Depr. on Tap Fees & CIAC Prop.	(831)
Other Adj. to Tax Depr. to be Comparable To Book Depr.	0
Net Tax Depreciation for Def. Tax Calc.	<u>37,612</u>
Book Depreciation	166,419
Adjustment to be Comparable to Tax Depr.	(66)
Adjustment to Prior Years Books	
Net Book Depreciation for Def. Tax Calc.	<u>166,353</u>
Difference	<u>(128,741)</u>
Tax on Difference at 34%	(43,772)
Adjustment for PRE ACRS	
TAX ENTRY	<u>(43,772)</u>

