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Management & Regulatory Consultants, Inc.

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May 9, 2003

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

Re: Alafaya Utilities, Inc; Docket No. 020408-SU
Application for Rate Increase in Seminole County
Original Cost Study

Dear Ms. Bayo:

In a conversation on May 7, with Mr. Richard Redemann of the PSC Staff, regarding the Original Cost Study submitted on behalf of the Applicant, it was determined that additional information was necessary on three points. This letter addresses those points.

1. The Study did not include an estimate of the original organizational costs. The annual reports of the utility indicate that \$2,484 was originally booked for organization costs in 1985. It is my opinion that this amount is a conservative, but acceptable amount to be included as a part of the original cost.

2. The Study did not include an estimate of general plant. It is my opinion that general plant should not be included in the original cost estimate for this utility. The Study dealt only with costs up to the transfer of assets in 1994. From a review of the annual reports prior to the transfer and through the test year, it appears that the general plant assets did not carry over in the transfer and are properly excluded.

3. The Study did not include a multiplier to the base original cost to account for engineering, administrative and general overhead costs as is traditionally done in an original cost study. A multiplier for engineering costs was purposely excluded because documents supporting actual engineering costs

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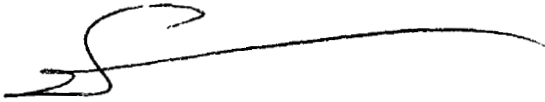
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were found and actual original engineering costs were already included in the Study. However, a multiplier for administrative and general overheads in the amount of 10% should have been included and should be considered as an adjustment to the Study.

Very truly yours,

A handwritten signature in black ink, appearing to be 'Frank Seidman', with a long horizontal stroke extending to the right.

Frank Seidman

cc: Mr. Richard Redemann (via facsimile)
Mr. Bart Fletcher (via facsimile)
Mr. Steve Lubertozzi (via e-mail)
Mr. Patrick Flynn (via e-mail)
Mr. David Orr (via e-mail)
Mr. Martin Friedman (via e-mail& facsimile)
Ms. Debbie Swain (via e-mail)