

OFFICIAL COPY

CLASS "A" OR "B"

WATER AND/OR WASTEWATER UTILITIES

(Gross Revenue of More Than \$200,000 Each)

ANNUAL REPORT

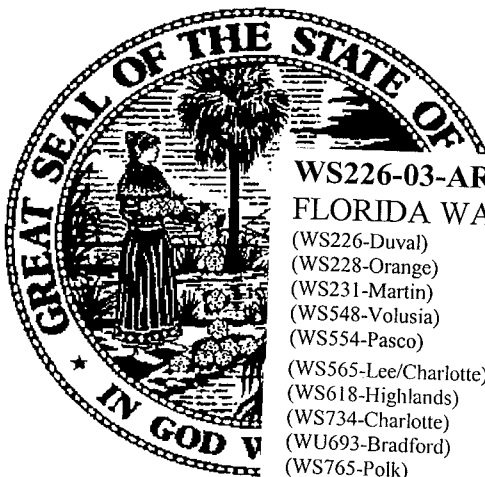
OF

WS226-03-AR
Florida Water Services Corporation
P. O. Box 609520
Orlando, FL 32860-9520

Submitted To The

STATE OF FLORIDA

ECONOMIC REGULATION
04 APR -1 AM 10:17
FLORIDA DEPARTMENT OF
ECONOMIC REGULATION



WS226-03-AR

FLORIDA WATER SERVICES CORPORATION

- (WS226-Duval)
- (WS228-Orange)
- (WS231-Martin)
- (WS548-Volusia)
- (WS554-Pasco)
- (WS565-Lee/Charlotte)
- (WS618-Highlands)
- (WS734-Charlotte)
- (WU693-Bradford)
- (WS765-Polk)
- (SU733-Osceola)

- (WS225-Putnam)
- (WS227-Lake)
- (WS230-Seminole)
- (WS487-Marion)
- (WS574-Nassau)
- (WU229-Osceola)
- (WS673-Washington)
- (WU561-Brevard)
- (WU721-St. Johns/Duval)
- (WU473-Clay)

PUBLIC SERVICE

FOR THE

YEAR ENDED DECEMBER 31, 2003

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EXECUTIVE SUMMARY

CERTIFICATION OF ANNUAL REPORT

UTILITY NAME: Florida Water Services, Corp.

YEAR OF REPORT
DECEMBER 31, 2003

I HEREBY CERTIFY, to the best of my knowledge and belief:

YES NO

(X) () 1. The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission.

YES NO

(X) () 2. The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission

YES NO

(X) () 3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices that could have a material effect on the financial statement of the utility.

YES NO

(X) () 4. The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the report as to the business affairs of the respondent are true, correct and complete for the period for which it represents.

Items Certified

1. 2. 3. 4.

(X) (X) (X) (X)

 *

(signature of chief executive officer of the utility)

1. 2. 3. 4.

(X) (X) (X) (X)

 *

(signature of chief financial officer of the utility)

* Each of the four items must be certified YES or NO. Each item need not be certified by both officers. The items being certified by the officer should be indicated in the appropriate are to the left of the signature.

NOTICE: Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.

**Annual Report of
Florida Water Services, Corp.**

**YEAR OF REPORT
DECEMBER 31, 2003**

County: Orange

List Below the exact mailing address of the utility for which normal correspondence should be sent:

P.O. Box 609520
Orlando, Florida 32860-9520
Toll Free Telephone: 1-800-432-4501
Telephone : (407) 598-4100

Name and address of person to whom correspondence concerning this report should be sent:

Nancy Norris
P.O. Box 609520
Orlando, Florida 32860-9520
Telephone : (407) 598-4127

List below the address of where the utility's books and records are located:

SAME AS ABOVE

List below any groups auditing or reviewing the records and operations:

PRICE WATERHOUSE (ANNUAL AUDIT)
FPSC FIELD AUDITORS (RATE CASES)

Date of Original organization of the utility: 11/15/61

Check the appropriate business entity of the utility as filed with the Internal Revenue Service:

Individual
Partnership
Sub S Corporation
X 1120 Corporation

List Below every corporation or person owning or holding directly 5% or more of the voting securities of the utility:

ALLETE Water Services, Inc.

100%

UTILITY NAME: Florida Water Services, Corp.

YEAR OF REPORT
DECEMBER 31, 2003

DIRECTORY OF PERSONNEL WHO CONTACT THE FLORIDA PUBLIC SERVICE COMMISSION

NAME OF COMPANY REPRESENTATIVE (a)	TITLE OR POSITION (b)	ADDRESS (c)	USUAL PURPOSE FOR CONTACT WITH FPSC (d)
Forrest L. Ludsen	President	Orlando	Corporate Policy and Operational Matters
David Denny	Vice President Engineering & Operations	Orlando	Engineering & Plant Operations
Carlyn H. Kowalsky	Vice President - Secretary Legal	Orlando	General Counsel
Judy Kimball	Vice President & CFO Finance	Orlando	Corporate Policy and Operational Matters: Accounting & Finance
Ida Roberts	Vice President Customer Service & Public Affairs	Orlando	Communications, Governmental and Customer Service
Tony Isaacs	Vice President Customer Services	Orlando	Regulatory Matters & Customer Service

- (1) Also list appropriate legal counsel, accountants and others who may not be on general payroll.
- (2) Provide individual telephone numbers if the person is not normally reached at the company.
- (3) Name of company employed by if not on general payroll.

TELEPHONE NUMBER FOR ALL INDIVIDUALS IS (407) 598-4100 OR 1-800-432-4501

COMPANY PROFILE

Provide a brief narrative company profile which covers the following areas:

- A. Brief company history.
- B. Public services rendered.
- C. Major goals and objectives.
- D. Major operating divisions and functions.
- E. Current and projected growth patterns.
- F. Major transactions having a material effect on operations.

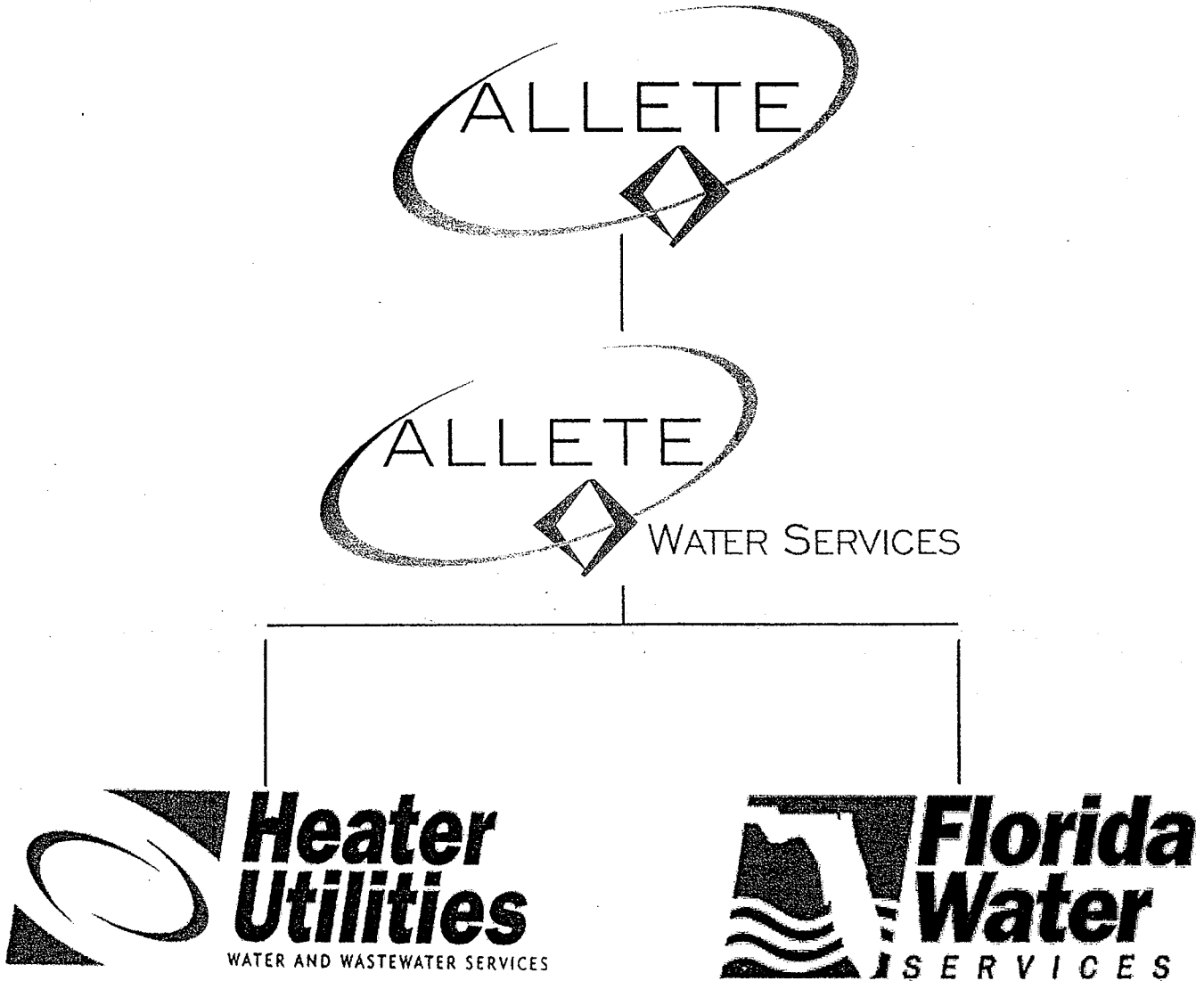
Florida Water Services Corporation (Florida Water) , formerly Southern States Utilities, Inc. is a Florida corporation with headquarters at 1000 Color Place, Apopka, FL. Florida Water was originally incorporated in 1961. In 1968, Florida Water was purchased by Universal Telephone, Inc. (UTI) as a 100% owned subsidiary. During 1984, UTI and its subsidiary, Florida Water, were acquired by ALLETE Water Services, Inc., (formerly MP Water Resource Group, Inc. and Topeka Group, Inc.) a wholly-owned subsidiary of ALLETE (formerly Minnesota Power). In 1989, ALLETE Water Services sold UTI and Florida Water began reporting directly to ALLETE Water Services Group. Also, in 1989, ALLETE Water Services purchased both Deltona Utilities and United Florida Utilities from Deltona Corp. In 1992, these utilities also merged into Florida Water. In 1991, Lehigh Utilities was acquired and merged into Florida Water during 1993. Florida Water purchased Orange Osceola Utilities from Real Estate Corporation of Florida, Inc. in 1995. In 1999, Florida Water purchased Palm Coast Utility Corporation as well as Tomoka Waterworks, Inc. In 2000, Florida Water purchased Del Webb's Spruce Creek Communities, Inc., Steeplechase Utility Company, Inc., and Tangerine Water Company, Inc. Florida Water provides regulated utility services primarily to residential communities through its network of plants and distribution facilities. Service areas are located throughout the State of Florida, but are primarily in the central, southwest and northeast regions of the state.

In the fall of 2001, the parent company Allete, announced its intention to sell the assets of Florida Water Services. During 2003 the FPSC regulated plants that were sold were: all plants in Nassau, Clay, Bradford, Martin, Marion, Duval, St. John's, Osceola, Lee and Charlotte counties. In addition, Deltona Lakes in Volusia County and Sunshine Parkway and Palisades in Lake County were sold during 2003. The remaining FPSC regulated plants are expected to be sold during the first half of 2004.

PARENT/AFFILIATE ORGANIZATION CHART

Current as of 12/31/03

Complete below an organizational chart that shows all parents, subsidiaries and affiliates of the utility.
The cart must also show the relationship between the utility and affiliates listed on E-7, E-10(a) and E-10 (b)



YEAR OF REPORT
DECEMBER 31, 2003

COMPENSATION OF OFFICERS

For each officer, list the time spent on respondent as an officer compared to time spent on total business activities and the compensation received as an officer from the respondent.			
NAME (a)	TITLE (b)	% OF TIME SPENT AS OFFICER OF UTILITY (c)	OFFICERS COMPENSATION (d)
			ALL
Forrest Ludsen	President	100%	
Mark Schober	Vice President	5%	COMPENSATION
Carlyn H. Kowalsky	Vice President - Legal Secretary, General Council	100%	AVAILABLE
David Denny	Vice President - Engineering & Operations	100%	ON REQUEST.
Judy Kimball	Vice President, CFO	100%	CONFIDENTIALITY
Craig J. Anderson	Vice President - Environmental Services	100%	IS
Ida Roberts	Vice President - Customer Service and Public Affairs	100%	REQUESTED
Tony Isaacs	Vice President - Customer Services	100%	
Nancy E. Norris	Controller	100%	
Kirk D. Martin	Assistant Secretary	100%	
Julie MacLane	Assistant Controller	100%	

YEAR OF REPORT
DECEMBER 31, 2003

COMPENSATION OF DIRECTORS

For each director, list the number of director meetings attended by each director and the compensation received as a director from the respondent.

<u>NAME</u> (a)	<u>TITLE</u> (b)	<u>NUMBER OF DIRECTORS MEETINGS ATTENDED</u> (c)	<u>DIRECTOR'S COMPENSATION</u> (d)
Philip R. Halverson	Director	1	None
Mark A. Schober	Director	1	None
James K. Vizanko	Director	1	None

YEAR OF REPORT
DECEMBER 31, 2003

BUSINESS CONTRACT WITH OFFICERS, DIRECTORS, AND AFFILIATES

List all contracts, agreements, or other business arrangements* entered into during the calendar year (other than compensation related to position with Respondents) between the Respondent and officer and director listed on page E-6. In addition, provide the same information with respect to professional services for each firm, partnership, or organization with which the officer or director is affiliated.

NAME OF OFFICER, DIRECTOR OR AFFILIATE (a)	IDENTIFICATION OF SERVICE OR PRODUCT (b)	AMOUNT (c)	NAME AND ADDRESS OF AFFILIATED ENTITY (d)
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None

* Business Agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years. Although the Respondent and/or other companies will benefit from the arrangement, the officer or director is, however, acting on his behalf or for the benefit of other companies or persons.

**YEAR OF REPORT
DECEMBER 31, 2003**

AFFILIATION OF OFFICERS AND DIRECTORS

For each of the officials listed on page E-6, list the principle occupation or business affiliation and all affiliations or connections with any other business or financial organization, firms, or partnerships. For purposes of this part, an official will be considered to have an affiliation with any business or financial organization, firm or partnership in which he is an officer, director, trustee, partner, or a person exercising similar functions.

NAME (a)	PRINCIPLE OCCUPATION OR BUSINESS AFFILIATION (b)	AFFILIATION OR CONNECTION (c)	NAME AND ADDRESS OF AFFILIATION OR CONNECTION (d)
Forrest Ludsen	Florida Water Services	President	P.O. Box 609520 Orlando, FI 32860-9520
Mark Schober	Florida Water Services	Vice President	P.O. Box 609520 Orlando, FI 32860-9520
	ALLETE Corp.	Vice President and Controller	30 West Superior St. Duluth, MN 55802
Carlyn H. Kowalsky	Florida Water Services	Vice President - Legal Secretary, General Council	P.O. Box 609520 Orlando, FI 32860-9520
David Denny	Florida Water Services	Vice President - Engineering & Operations	P.O. Box 609520 Orlando, FI 32860-9520
Judy Kimball	Florida Water Services	Vice President, CFO	P.O. Box 609520 Orlando, FI 32860-9520
Craig Anderson	Florida Water Services	Vice President - Enviromental Services	P.O. Box 609520 Orlando, FI 32860-9520
Ida Roberts	Florida Water Services	Vice President - Customer Service and Public Affairs	P.O. Box 609520 Orlando, FI 32860-9520
Tony Isaacs	Florida Water Services	Vice President - Customer Service	P.O. Box 609520 Orlando, FI 32860-9520
Nancy Norris	Florida Water Services	Controller	P.O. Box 609520 Orlando, FI 32860-9520
Kirk Martin	Florida Water Services	Assistant Secretary	P.O. Box 609520 Orlando, FI 32860-9520
Julie Maclane	Florida Water Services	Assistant Controller	P.O. Box 609520 Orlando, FI 32860-9520

YEAR OF REPORT
DECEMBER 31, 2003

AFFILIATION OF OFFICERS AND DIRECTORS

Continued From E-8

NAME (a)	PRINCIPLE OCCUPATION OR BUSINESS AFFILIATION (b)	AFFILIATION OR CONNECTION (c)	NAME AND ADDRESS OF AFFILIATION OR CONNECTION (d)

YEAR OF REPORT
DECEMBER 31, 2003

AFFILIATION OF OFFICERS AND DIRECTORS

Continued From E-8

NAME (a)	PRINCIPLE OCCUPATION OR BUSINESS AFFILIATION (b)	AFFILIATION OR CONNECTION (c)	NAME AND ADDRESS OF AFFILIATION OR CONNECTION (d)

* Minimal amount of time spent

BUSINESS TRANSACTIONS WITH RELATED PARTIES

List each contract, agreement, or other business transaction exceeding a cumulative amount of \$500 in any one year, entered into between the Respondent and a business or financial organization, firm, or partnership named on pages E-2 and E-6 identifying the parties, amounts, dates and product, asset, or service involved.

Part I. Specific Instructions: Services and Products Received or Provided

1. Enter in this part all transactions involving services and products received or provided.
2. Below are some types of transactions to include:
 - management, legal and accounting services
 - computer services
 - engineering & construction services
 - repairing and servicing of equipment
 - material and supplies furnished
 - leasing of structures, land and equipment
 - rental transactions
 - sale, purchase or transfer of various products

NAME OF COMPANY OR RELATED PARTY (c)	DESCRIPTION SERVICE AND/OR NAME NAME OF PRODUCT (b)	EFFECTIVE DATES (c)	ANNUAL CHARGES	
			PURCHASED OR SOLD (c)	AMOUNT (d)
ALLETE Heater	Management, Audit, Tax, Insurance Management	Continuous	Purchased Sold	\$ 1,920,007 \$ (30,550)

BUSINESS TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Part II. Specific Instructions: Sale, Purchase and Transfer of Assets

1. Enter in this part all transactions relating to the purchase, sale or transfer of assets.
2. Below are examples of some types of transactions to include:
 - purchase, sale or transfer of equipment
 - purchase, sale or transfer of land and structures
 - purchase, sale or transfer of securities
 - noncash transfers of assets
 - noncash dividends other than stock dividends
 - writeoff of bad debts or loans
3. The columnar instructions follow:
 - (a) Enter name of related party or company.
 - (b) Describe briefly the type of assets purchased, sold or transferred.
 - (c) Enter the total received or paid. Indicate purchase with "P" and sale with "S".
 - (d) Enter the net book value for each item reported.
 - (e) Enter the net profit or loss for each item (column (c) - column (d)).
 - (f) Enter the fair market value for each item reported. In space below or in a supplemental schedule, describe the basis used to calculate fair market value.

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION OF ITEMS (b)	SALE OR PURCHASE PRICE (c)	NET BOOK VALUE (d)	GAIN OR LOSS (e)	FAIR MARKET VALUE (f)
		\$		\$	N/A

COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
UTILITY PLANT				
101-106	Utility Plant	F-7	\$ 639,434,837	\$ 45,107,106
108-110	Less: Accumulated Depreciation and Amortization	F-8	(216,368,953)	(15,425,610)
Net Plant			\$ 423,065,884	\$ 29,681,496
114-115	Utility Plant Acquisition Adjustments (Net)	F-7	7,845,408	262,079
116*	Other Utility Plant Adj.		0	0
Total Net Utility Plant			\$ 430,911,292	\$ 29,943,575
OTHER PROPERTY AND INVESTMENTS				
121	Nonutility Property	F-9	\$ 34,450	\$ 4,367
122	Less: Accumulated Depreciation and Amortization			
Net Nonutility Property			\$ 34,450	\$ 4,367
123	Investment In Associated Companies	F-10	0	0
124	Utility Investments	F-10	0	0
125	Other Investments	F-10	1,894,048	2,177,942
126-127	Special Funds	F-10	0	0
Total Other Property & Investments			\$ 1,894,048	\$ 2,177,942
CURRENT AND ACCRUED ASSETS				
131	Cash		\$ 5,473,361	\$ 5,165,031
132	Special Deposits	F-9	1,096,650	1,477,675
133	Other Special Deposits	F-9	50,976	30,443
134	Working Funds		8,000	3,150
135	Temporary Cash Investments		3,500,000	5,000,000
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	6,827,891	2,951,312
145	Accounts Receivable from Associated Companies	F-12	0	0
146	Notes Receivable from Associated Companies	F-12	0	0
151-153	Material and Supplies		25,157	58,986
161	Stores Expense		0	0
162	Prepayments		57,238	60,722
171	Accrued Interest and Dividends Receivable		11,521	653,120
172*	Rents Receivable		0	0
173*	Accrued Utility Revenues		6,411,392	348,338
174	Misc. Current and Accrued Assets	F-12	0	0
Total Current and Accrued Assets			\$ 23,462,188	\$ 15,748,778

COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	F-13	\$ 5,970,353	\$ 2,913,626
182	Extraordinary Property Losses	F-13	1,102,374	438,872
183	Preliminary Survey & Investigation Charges		2,182,630	4,204
184	Clearing Accounts		5,695	2,557
185*	Temporary Facilities		0	0
186	Misc. Deferred Debits	F-14	18,181,811	2,351,792
187*	Research & Development Expenditures		0	0
190	Accumulated Deferred Income Taxes		12,872,417	0
	Accrued Stand-by Fees		0	0
Total Deferred Debits			\$ 40,315,280	\$ 5,711,050
TOTAL ASSETS AND OTHER DEBITS			\$ 496,617,258	\$ 53,585,712

* Not Applicable for Class B Utilities

<p><u>NOTES TO THE BALANCE SHEET</u></p>
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COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
EQUITY CAPITAL				
201	Common Stock Issued	F-15	\$ 107,500	\$ 107,500
204	Preferred Stock Issued	F-15	0	0
202,205*	Capital Stock Subscribed		0	0
203,206*	Capital Stock Liability for Conversion		0	0
207*	Premium on Capital Stock		0	0
209*	Reduction in Par or Stated Value of Capital Stock		0	0
210	Gain on Resale or Cancellation of Reacquired Capital Stock		0	0
211	Other Paid-In Capital		89,853,517	96,752,004
212	Discount on Capital Stock		0	0
213	Capital Stock Expense		0	0
214-215	Retained Earnings	F-16	32,012,921	129,612,280
216	Reacquired Capital Stock		0	0
218	Proprietary Capital (Proprietorship and Partnership Only)		0	0
	Total Equity Capital		\$ <u>121,973,938</u>	\$ <u>226,471,783</u>
LONG TERM DEBT				
221	Bonds	F-15	\$ 63,105,000	\$ 35,105,000
222*	Reacquired Bonds		0	0
223	Advances from Associated Companies	F-17	0	0
224	Other Long Term Debt	F-17	42,961,785	777,222
	Total Long Term Debt		\$ <u>106,066,785</u>	\$ <u>35,882,222</u>
CURRENT AND ACCRUED LIABILITIES				
231	Accounts Payable		\$ 6,533,196	\$ 2,330,431
232	Notes Payable	F-18	0	0
233	Accounts Payable to Associated Co.	F-18	2,332,964	(283,717,374)
234	Notes Payable to Associated Co.	F-18	0	0
235	Customer Deposits		3,088,759	148,835
236	Accrued Taxes		2,110,689	21,735,386
237	Accrued Interest	F-19	2,349,344	484,531
238	Accrued Dividends		0	0
239	Matured Long Term Debt		3,966,349	137,421
240	Matured Interest		0	0
241	Miscellaneous Current and Accrued Liabilities	F-20	3,513,333	12,167,364
	Total Current and Accrued Liabilities		\$ <u>23,894,633</u>	\$ <u>(246,713,408)</u>

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF: PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
DEFERRED CREDITS				
251	Unamortized Premium on Debt	F-13	\$ 0	\$ 0
252	Advances for Construction	F-20	9,371,589	32,348
253	Other Deferred Credits	F-21	5,850,888	17,678,943
255	Accumulated Deferred Investment Tax Credits		1,169,210	0
Total Deferred Credits			\$ <u>16,391,687</u>	\$ <u>17,711,291</u>
OPERATING RESERVES				
261	Property Insurance Reserve		\$ 0	\$ 0
262	Injuries and Damages Reserve		0	0
263	Pensions and Benefits Reserve		0	0
265	Miscellaneous Operating Reserves		0	0
Total Operating Reserves			\$ <u>0</u>	\$ <u>0</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION				
271	Contributions In Aid of Construction	F-22	\$ 289,892,119	\$ 7,549,500
272	Accumulated Amortization of Contributions In Aid of Construction	F-22	(93,869,393)	(2,625,313)
Total Net C.I.A.C.			\$ <u>196,022,726</u>	\$ <u>4,924,187</u>
ACCUMULATED DEFERRED INCOME TAXES				
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		\$ 0	\$ 0
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		1,299,580	0
283	Accumulated Deferred Income Taxes - Other		30,967,903	15,309,637
Total Accum. Deferred Income Taxes			\$ <u>32,267,483</u>	\$ <u>15,309,637</u>
TOTAL EQUITY CAPITAL AND LIABILITIES			\$ <u>496,617,253</u>	\$ <u>53,585,712</u>

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (d)	PREVIOUS YEAR (c)	CURRENT YEAR (e)
UTILITY OPERATING INCOME				
400	Operating Revenues	F-3(b)	\$ 95,428,642	\$ 85,511,513
469,530	Less: Guaranteed Revenue and AFPI	F-3(b)	2,352,305	3,158,743
Net Operating Revenue			\$ 93,076,336	\$ 82,352,770
401	Operating Expenses	F-3(b)	\$ 45,227,327	\$ 44,477,061
403	Depreciation Expense	F-3(b)	\$ 21,123,579	\$ 18,491,911
	Less: Amortization Of CIAC	W/S - 8a	9,668,534	8,969,635
Net Depreciation Expense			\$ 11,455,044	\$ 9,522,276
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)	168,731	191,148
407	Amortization Expense (Other than CIAC)	F-3(b)	231,541	180,415
408	Taxes Other Than Income	W/S-3	10,114,640	8,766,537
409	Current Income Taxes	W/S-3	5,149,637	10,172,222
410.10	Deferred Federal Income Taxes	W/S-3	2,084,564	(5,105,995)
410.11	Deferred State Income Taxes	W/S-3	0	0
411.10	Provision for Deferred Income Taxes - Credit	W/S-3	0	0
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3	0	0
412.11	Investment Tax Credits Restored to Operating Income	W/S-3	(66,322)	(1,169,210)
Utility Operating Expenses			\$ 74,365,162	\$ 67,034,453
Utility Operating Income			\$ 18,711,174	\$ 15,318,317
469,530	Add Back:			
	Guaranteed Revenue and AFPI	F-3(b)	2,352,305	3,158,743
413	Income From Utility Plant Leased to Others		0	0
414	Gains (Losses) From Disposition of Utility Property		778,626	149,135,563
420	Allowances for Funds Used During Construction		710,942	1,122,340
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ 22,553,047	\$ 168,734,963

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	WATER SCHEDULE W-3* (f)	WASTEWATER SCHEDULE S-3* (g)	OTHER THAN REPORTING SYSTEMS (h)
400	\$ 25,349,396	\$ 20,244,433	\$ 39,917,684
469,530	1,226,547	1,262,077	670,118
	\$ 24,122,849	\$ 18,982,356	\$ 39,247,565
401	\$ 13,712,059	\$ 10,504,572	\$ 20,260,430
403	\$ 4,066,396	\$ 4,279,526	\$ 10,145,989
	1,576,807	1,728,948	5,663,880
	\$ 2,489,589	\$ 2,550,578	\$ 4,482,109
406	303	(3,887)	194,732
407	0	0	180,415
408	2,689,382	2,276,292	3,800,863
409	2,760,671	1,934,775	5,476,776
410.10	(1,385,735)	(971,171)	(2,749,089)
410.11	0	0	0
411.10	0	0	0
412.10	0	0	0
412.11			
	(15,453)	(14,439)	(1,139,318)
	\$ 20,250,816	\$ 16,276,721	\$ 30,506,916
	\$ 3,872,033	\$ 2,705,635	\$ 8,740,649
469,530	1,226,547	1,262,077	670,118
413	0	0	0
414	49,602,947	19,692,631	79,839,985
420	231,215	503,017	388,108
	\$ 54,932,742	\$ 24,163,360	\$ 89,638,860

COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (d)	PREVIOUS YEAR (c)	CURRENT YEAR (e)
Total Utility Operating Income [From Page F-3 (a)]			\$ <u>22,553,048</u>	\$ <u>168,734,963</u>
OTHER INCOME AND DEDUCTIONS				
415	Revenues From Merchandising, Jobbing and Contract Deductions		\$ 9,234	\$ 9,044
416	Costs and Expenses of Merchandising, Jobbing and Contract Work		0	0
419	Interest and Dividend Income		326,198	1,115,156
421	Nonutility Income		112,405	57,926
426	Miscellaneous Nonutility Expenses		(1,619,327)	(13,653,794)
Total Other Income and Deductions			\$ <u>(1,171,491)</u>	\$ <u>(12,471,668)</u>
TAXES APPLICABLE TO OTHER INCOME				
408.20	Taxes Other Than Income		\$ 0	\$ 0
409.20	Income Taxes		731,959	48,649,113
410.20	Provision for Deferred Income Taxes		95,260	1,854,324
411.20	Provision for Deferred Income Taxes - Credit		0	0
412.20	Investment Tax Credits - Net		0	0
412.30	Investment Tax Credits Restored to Operating Income		0	0
Total Taxes Applicable To Other Income			\$ <u>827,219</u>	\$ <u>50,503,437</u>
INTEREST EXPENSE				
427	Interest Expense	F-19	\$ 7,473,852	\$ 7,800,760
428	Amortization of Debt Discount & Expense	F-13	373,751	359,747
429	Amortization of Premium on Debt	F-13	0	0
Total Interest Expense			\$ <u>7,847,603</u>	\$ <u>8,160,507</u>
EXTRAORDINARY ITEMS				
433	Extraordinary Income		\$ 0	\$ 0
434	Extraordinary Deductions		0	0
409.30	Income Taxes, Extraordinary Items		0	0
Total Extraordinary Items			\$ <u>0</u>	\$ <u>0</u>
NET INCOME			\$ <u><u>12,706,736</u></u>	\$ <u><u>97,599,351</u></u>

SCHEDULE OF YEAR END RATE BASE

ACCT NO. (a)	ACCOUNT NAME (B)	REF PAGE (c)	WATER UTILITY	WASTEWATER UTILITY	OTHER THAN REPORTING SYSTEMS
101	Utility Plant in Service	F-7	29,629,378	14,049,342	-
	Less:				
108	Nonused and Useful Plant (1)		1,220,337	706,770	0
110	Accumulated Depreciation	F-8	10,666,097	4,759,556	(43)
271	Accumulated Amortization	F-8	0	0	0
252	Contributions in Aid of Construction	F-22	4,237,184	3,312,227	88
	Advances for Construction	F-20	2,347	0	30,001
Subtotal			\$13,503,412	\$5,270,789	-\$30,046
	Add:				
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	1,345,296	1,261,550	18,467
Subtotal			\$14,848,708	\$6,532,339	-\$11,579
	Plus or Minus:				
114	Acquisition Adjustment	F-7	32,259	(61,018)	0
115	Accumulated Amortization of Acquisition Adjustment	F-7	(19,359)	39,304	0
	Working Capital Allowance		(275,272)	(131,149)	0
	Other (Specify):				
	Deferred Taxes		(1,232,606)	(561,777)	(14,004)
	Regulatory Asset		(112,031)	32,136	0
	Investment CIAC		461,062	347,819	0
	Cwip		870,290	532,187	7,529
RATE BASE			\$14,573,051	\$6,729,840	-\$18,054 (4)
NET UTILITY OPERATING INCOME			\$3,831,669	\$2,663,792	\$7,804,921
ACHIEVED RATE OF RETURN (Operating Income/Rate Base) (6)			1.01%	-2.98%	N / A (5)

NOTES:

- (1) Estimated if not known
- (2) Include only those Acquisitions Adjustments that have been approved by the Commission
- (3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method
- (4) Other Rate Base represents miscellaneous account balances at Company level relating to sold plants.
- (5) Rate of return not applicable. Rate Base for sold plants is \$-0-; however, Net Utility Operating Income represents the portion of the year that the system was owned.
- (6) Achieved Rate of Return % for remaining FPSC plants only:

- Rate Base	\$14,573,051	\$6,729,840
- Net Utility Operating Income	146,547	(200,626)
- Achieved Rate of Return	1.01%	-2.98%

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

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**SCHEDULE OF CURRENT COST OF CAPITAL
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING**

CLASS OF CAPITAL (a)	DOLLAR AMOUNT (1) (b)	PERCENTAGE OF CAPITAL (c)	ACTUAL COST RATES (2) (d)	WEIGHTED COST [c * d] (e)
Common Equity	226,471,783	86.23 %	11.88 %	10.24 %
Preferred Stock	0	0.00 %	0.00 %	0.00 %
Long Term Debt	36,019,643	13.71 %	8.25 %	1.13 %
Customer Deposits	148,835	0.06 %	6.00 %	0.00 %
Tax Credits - Zero Cost	0	0.00 %	0.00 %	0.00 %
Tax credits - Weighted Cost	0	0.00 %	0.00 %	0.00 %
Deferred Income Taxes	0	0.00 %	0.00 %	0.00 %
Other (Explain)	0	0.00 %	0.00 %	0.00 %
Total	\$ <u>262,640,261</u>	<u>100.00 %</u>		<u>11.38 %</u>

(1) Should equal amounts on Schedule F-6, Column (g).

(2) Mid - point of the last Authorized Return on Equity or current leverage formula if none has been established.

Must be calculated using the same methodology used in the last rate proceeding using current annual report year end amounts and cost rates

APPROVED RETURN ON EQUITY

Current Commission Return on Equity	<u>11.88 %</u>
Commission order approving Return on Equity	<u>PSC-96-1320-FOF-WS</u>

APPROVED AFUDC RATE

Current Commission Approved AFUDC rate:	<u>0.835516 %</u>
Current Commission Approved AFUDC rate:	<u>PSC-96-1320-FOF-WS</u>

If any utility capitalized any charge in lieu of AFUDC (such as interest only), state the basis of the charge, an explanation as to why AFUDC was not charged and the percentage capitalized.

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

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SCHEDULE OF CAPITAL STRUCTURE ADJUSTMENTS
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING

CLASS OF CAPITAL (a)	PER BOOK BALANCE (b)	NON-UTILITY ADJUSTMENTS (c)	NON-JURISDICTIONAL ADJUSTMENTS (d)	OTHER (1) ADJUSTMENTS SPECIFIC (e)	OTHER (1) ADJUSTMENTS PRO RATA (f)	CAPITAL STRUCTURE (G)
Common Equity	226,471,783					226,471,783
Preferred Stock	0					0
Long Term Debt	36,019,642					36,019,642
Customer Deposits	148,835					148,835
Tax Credits - Zero Cost	0					0
Tax credits - Weighted Cost	0					0
Deferred Income Taxes	0					0
Other (Explain)	0					0
Total	\$ 262,640,260	\$ 0	\$ 0	\$ 0	\$ 0	\$ 262,640,260

(1) Explain all adjustments made in Column (e) and (f):

UTILITY PLANT
ACCOUNT 101 - 106

ACCT (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
	PLANT ACCOUNTS:				
101	Utility Plant in Service	\$29,629,378	\$14,049,342	\$0	\$43,678,720
102	Utility Plant Leased to Others				0
103	Property Held for Future Use	18,380	-	-	18,380
104	Utility Plant Purchased or Sold				0
105	Construction Work in Progress	867,032	531,241	11,733	1,410,006
106	Completed Construction Not Classified				0
	Total Utility Plant	\$30,514,789	\$14,580,584	\$11,733	\$45,107,106

UTILITY PLANT ACQUISITION ADJUSTMENTS
ACCOUNT 114 AND 115

Report each acquisition adjustment and related accumulated amortization separately.
For any acquisition adjustments approved by the Commission, include the Order number.

ACCT (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
114	Acquisition Adjustment				
	Palm Port #16340	(30,746)	(65,065)		(95,811)
	Chuluota #10859	23,325			23,325
	Druid Hill #10859	26,000			26,000
	Dol Ray Manor #10859	12,875			12,875
	Picciola Island #10859	9,400			9,400
	Venetian Village #12207	17,500	17,500		35,000
	Western Shores #12207	(26,095)			(26,095)
	Park Manor #16340		(13,453)		(13,453)
	Various Unapproved	787,971	(329,189)		458,783
	Total Plant Acquisition Adjustments	820,230	(390,207)	-	430,024
115	Accumulated Amortization				
	Palm Port #16340	20,027	41,754		61,781
	Chuluota #10859	(16,631)			(16,631)
	Druid Hill #10859	(18,523)			(18,523)
	Dol Ray Manor #10859	(9,129)			(9,129)
	Picciola Island #10859	(6,237)			(6,237)
	Venetian Village #12207	(10,371)	(11,203)		(21,574)
	Western Shores #12207	21,505			21,505
	Park Manor #16340		8,752		8,752
	Various Unapproved	(282,082)	94,193		(187,888)
	Total Accumulated Amortization	(301,441)	\$133,497	\$0	-\$167,944
	Net Acquisition Adjustments	\$518,789	(256,710)	-	262,079

ACCUMULATED DEPRECIATION (ACCT. 108) AND AMORTIZATION (ACCT.110)

DESCRIPTION (a)	WATER (b)	WASTEWATER (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
ACCUMULATED DEPRECIATION Account 108				
Balance first of year	\$ 40,639,089	\$ 49,611,645	\$ 126,118,219	\$ 216,368,953
Credits during year:				
Accruals charged:				
to Account 108.1 (1)	\$ 4,066,396	\$ 4,279,526	\$ 10,145,989	\$ 18,491,911
to Account 108.2 (2)				0
to Account 108.3 (3)				0
Other Accounts (specify):				
				0
Salvage	0	0	0	0
Other credits (specify)	10,883,345	4,117,335	6,757,748	21,758,429
General Allocations and other				
Total Credits	\$ 14,949,741	\$ 8,396,862	\$ 16,903,737	\$ 40,250,340
Debits during year:				
Book cost of plant retired				
	\$ 35,286,595	\$ 48,218,596	\$ 132,288,213	\$ 215,793,405
Cost of removal and				
	9,636,138	5,030,355	10,733,786	25,400,279
Other debits (specify)				
				0
General Allocations and other				
Total Debits	\$ 44,922,733	\$ 53,248,951	\$ 143,021,999	\$ 241,193,683
Balance end of year	\$ <u>10,666,097</u>	\$ <u>4,759,556</u>	\$ <u>(43)</u>	\$ <u>15,425,610</u>
ACCUMULATED AMORTIZATION Account 110				
Balance first of year				
Credits during year:				
Accruals charged:				
	\$ 0	\$ 0	\$ 0	\$ 0
to Account 110.2 (2)	0	0	0	0
Other Credits (Specify)				
	0	0	0	0
Total Credits	\$ 0	\$ 0	\$ 0	\$ 0
Debits during year:				
Book cost of plant retired				
	\$ 0	\$ 0	\$ 0	\$ 0
Other debits (specify)				
	0	0	0	0
Total Debits	\$ 0	\$ 0	\$ 0	\$ 0
Balance end of year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

- (1) Account 108 for Class B utilities
- (2) Not applicable for Class B utilities
- (3) Account 110 for Class B utilities

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**REGULATORY COMMISSION EXPENSE
AMORTIZATION OF RATE CASE EXPENSE (ACCOUNT 666 AND 766)**

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	AMOUNT TRANSFERRED TO ACCOUNT NO. 186.1 (c)	CHARGED OFF DURING YEAR	
			ACCT, (d)	AMOUNT (e)
Orang County	10,814		666/766	-
Hillsborough County	-		666/766	22,615
Hernando County	-		666/766	30,262
950495 - Consolodated Rate Case	-		666/766	-
930880 - Uniform Rates Hearing	-		666/766	-
920199 - Giga Rate Case	-		666/766	-
Total	\$10,814	\$0	\$0	\$52,877

NONUTILITY PROPERTY (ACCOUNT 121)

Report separately each item of property with a book cost of \$25,000 or more included in account 121.
Other items may be grouped by classes of property.

DESCRIPTION (a)	BEGINNING YEAR (b)	ADDITIONS (c)	REDUCTIONS (d)	ENDING YEAR BALANCE (e)
Land	\$34,450	\$0	\$30,083	\$4,367
Total Nonutility Property	\$34,450	\$0	\$30,083	\$4,367

SPECIAL DEPOSITS (ACCOUNTS 132 AND 133)

Report hereunder all special deposits carried in Accounts 132 and 133

DESCRIPTION OF SPECIAL DEPOSITS (a)	YEAR END BOOK COST (b)
SPECIAL DEPOSITS (Account 132):	
Deltona Lakes Utility Service Fee	1,355,806
C/D in Lieu of Deposit	-
Others	121,869
Total Special Deposits	\$1,477,675
OTHER SPECIAL DEPOSITS (Account 133):	
Utility Deposits	23,400
Other Special Deposits	7,043
Total Other Special Deposits	\$30,443

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**INVESTMENTS AND SPECIAL FUNDS
ACCOUNT 123-127**

Report hereunder all investments and special funds carried in Accounts 123 thru 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (ACCT. 123):	\$	\$
Total Investment In Associated Companies		\$ <u>0</u>
UTILITY INVESTMENTS (ACCT. 124):	\$	\$
Total Utility Investments		\$ <u>0</u>
OTHER INVESTMENTS (ACCT. 125): Co Bank	\$	\$ 2,177,942
Total Other Investments		\$ <u>2,177,942</u>
SPECIAL FUNDS (ACCTS. 126 & 127):		\$ 0
Total Special Funds		\$ <u>0</u>

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ACCOUNTS AND NOTES RECEIVABLE - NET
ACCOUNTS 141-144

Report hereunder all accounts and notes receivable included in Accounts 141, 142 and 144. Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION (a)		TOTAL (b)
CUSTOMER ACCOUNT RECIVABLE (Account 141):		
Water	\$ 0	
Sewer	0	
Other (includes water, and wastewater)	248,603	
Total Customer Accounts Receivable		\$ 248,603
OTHER ACCOUNTS RECEIVABLE (Acct. 142):		
Developers Receivables	\$ 1,390,489	
Payroll Related	(5,018)	
Total Other Accounts Receivable		\$ 1,385,471
NOTES RECEIVABLE (Acct. 144):		
Hideaway Beach	\$ 340,210	
Harbor Branch	212,013	
Marco Reuse Line Notes	807,072	
Total Notes Receivable		1,359,295
Total Accounts and Notes Receivable		\$ <u>2,993,369</u>
ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS (Acct. 143):		
Balance first of year	\$ (535,624)	
Add: Provision for uncollectibles for current year	\$ (360,000)	
Collections of accounts previously written off	24,501	
Utility accounts	0	
Total Additions	\$ (335,499)	
Deduct accounts written off during year:		
Utility Accounts	\$ 594,294	
Others	234,772	
Total accounts written off	\$ 829,066	
Balance end of year		\$ <u>(42,057)</u>
Total Accounts and Notes Receivable - Net		\$ <u><u>2,951,312</u></u>

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**ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 145**

'Report each account receivable from associated companies separately.

DESCRIPTION (a)	TOTAL (b)
None	\$ 0
Total	\$ <u>0</u>

**NOTES RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 146**

'Report each account receivable from associated companies separately.

DESCRIPTION (a)	INTEREST RATE (b)	TOTAL (c)
None	%	\$ 0
Total		\$ <u>0</u>

**MISCELLANEOUS CURRENT AND ACCRUED ASSETS
ACCOUNT 174**

DESCRIPTION (a)	TOTAL (b)
	-
Total miscellaneous Current and Accrued Liabilities	\$ <u>-</u>

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**UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT
ACCOUNTS 181 AND 251**

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Acct. 181):		
\$28 MM First Mortgage Bond	\$ 54,433	\$ 0
1995 \$35.01 Million DRB Series	79,458	1,770,648
1996 Collier Bonds Discount	51,833	1,142,978
Cobank \$45 Million	139,949	0
Other Miscellaneous Debt Expense and Reclasses	34,073	0
Total Unamortized Debt Discount and Expense	\$ <u>359,747</u>	\$ <u>2,913,626</u>
UNAMORTIZED PREMIUM ON DEBT (Acct. 251):		
Total Unamortized Premium on Debt	\$ <u>0</u>	\$ <u>0</u>

**EXTRAORDINARY PROPERTY LOSSES
ACCOUNT 182**

Report each item separately.

DESCRIPTION (a)	TOTAL (b)
EXTRAORDINARY PROPERTY LOSSES (Acct. 182):	
Extraordinary Abandonment	\$ 438,872
Total Extraordinary Property Losses	\$ <u>438,872</u>

MISCELLANEOUS DEFERRED DEBITS
ACCOUNT 186

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
DEFERRED RATE CASE EXPENSE (Class A Utilities: Account 186.1) 1995 Consolidate Rate Case Giga Rate Case Others		60,365 14,832 550
Total Deferred Rate Case Expense	\$0	\$75,747
OTHER DEFERRED DEBITS (Class A Utilities: Account 186.2) OAP's Deferred Executive Comp Plan Deferred OPEB Asset		12,942 1,348,281 185,836
Total Other Deferred Debits	\$0	\$1,547,059
REGULATORY ASSETS (Class A Utilities: Account 186.3) Regulatory Tax Asset - FAS 109 Surcharge		\$728,986
Total Regulatory Assets	\$0	\$728,986
TOTAL MISCELLANEOUS DEFERRED DEBITS	\$0	\$2,351,792

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CAPITAL STOCK (ACCTS. 201 & 204)

DESCRIPTION (a)	RATE (b)	TOTAL (c)
COMMON STOCK		
Par or stated value per share		250
Shares authorized		500
Shares issued and outstanding		430
Total par value of stock issued		107,500
Dividends declared per share for year		
PREFERRED STOCK		
Par or stated value per share		
Shares authorized		
Shares issued and outstanding		
Total par value of stock issued		
Dividends declared per share for year		

BONDS (ACCT. 221)

(DESCRIPTION OF OBLIGATION (INCLUDING NOMINAL DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	RATE (b)	FREQUENCY OF PAYMENT (c)	
1996 Collier County IRB 1/96 - 1/26	6.5	% Semi-annual	\$ 35,105,000
Total			\$ 35,105,000

STATEMENT OF RETAINED EARNINGS

1. Dividends should be shown for each class and series of capital stock.
Show amounts of dividends per share.
2. Show separately the state and federal income tax effect of items shown in account 439.

ACCT. NO. (a)	DESCRIPTION (a)	TOTAL (b)
215	Unappropriated Retained Earnings: Balance beginning of year	\$ 32,012,921
439	Changes to account: Adjustments to Retained Earnings (requires Commission approval prior to use) Credits:	
	Total Credits	\$ 0
	Debits:	0
	Total Debits	\$ 0
435	Balance Transferred from Income	97,599,351
436	Appropriations of Retained Earnings:	0
	Total Appropriations of Retained Earnings:	\$ 0
437	Dividends Declared:	
438	Preferred Stock Dividends Declared	0
	Common Stock Dividends Declared	0
	Total Dividends Declared:	\$ 0
215	Year end Balance	\$ 129,612,272
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	0
214	Total Appropriations of Retained Earnings:	\$ 0
	Total Retained earnings	\$ <u>129,612,272</u>
Notes to Statement of Retained Earnings:		

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NOTES PAYABLE (ACCTS. 232 & 234)

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
	RATE (d)	FREQUENCY OF PAYMENT (e)	
NOTES PAYABLE (Account 232):	% % % % %		\$ 0 \$ \$ \$ \$ \$
Total Account 232			<u>0</u>
	% % % % %		\$ \$ \$ \$ \$ \$
Total Account 234			<u>0</u>

* For variable rate obligations, provide the basis for the rate. (I.e. prime + 2%, etc.)

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (ACCT. 233)

Report each account payable separately.

DESCRIPTION (a)	TOTAL (b)
ALLETE Water Services, Inc. Heater Lehigh Corporation	(281,562,146) (5,144) (2,150,084)
Total	\$ <u>(283,717,374)</u>

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DESCRIPTION OF DEBIT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR		INTEREST PAID DURING YEAR (e)	BALANCE END OF YEAR (f)
		ACCT DEBIT (c)	AMOUNT (d)		
ACCOUNT NO.237.1- Accrued Interest on Long Term Debt					
Accrued Interest on Long Term Debt	2,254,888	386	7,676,382	9,450,769	\$480,501
Total Account 237.1	\$2,254,888	386	\$7,676,382	\$9,450,769	\$480,501
ACCOUNT NO.237.2- Accrued Interest on Other Liabilities					
Customer Deposits	\$94,457		\$124,378	\$214,806	\$4,029
Miscellaneous	0		0	0	
Total Account 237.2	\$94,457		\$124,378	\$214,806	\$4,029
Total Account 237 (1)	\$2,349,345		\$7,800,760	\$9,665,575	\$484,530
INTEREST EXPENSED:					
Total Accrual Account 237					
Less Capitalized Interest Portion Of AFUDC:					
Net Interest Expensed to Account No. 427 (2)			\$7,800,760		

(1) Must agree to F-2(a), Beginning and Ending Balance of Accrued Interest

(2) Must agree to F-3(c), Current Year Interest Expense

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MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES
ACCOUNT 241

DESCRIPTION (a)	BALANCE END OF YEAR (b)
Miscellaneous Fees	5,351,027
Accrued Audit Fees	21,867
Accrued Payroll and Related Items	6,794,470
	-
	-
	-
Total Miscellaneous Current and Accrued Liabilities	\$12,167,364

ADVANCES FOR CONSTRUCTION
ACCOUNT 252

NAME OF PAYOR (a)	BALANCE BEGINNING OF YEAR (b)	ACCT. DEBIT (c)	DEBITS		CREDITS (e)	BALANCE END OF YEAR (b)
			AMOUNT (d)			
Lehigh Development Corp.	3,379,469	131	3,379,469		-	-
Palm Coast	728,208	131	728,208		-	32,448
Timberwalk Development	45,668	131	13,220		693,363	2,347
Topeka Group	5,218,243	131	-		-	(2,447)
Pine Ridge	-	131	2,447		-	-
	-					-
	-					-
Total	\$9,371,589		\$4,123,344		\$693,363	\$32,348

* Report advances separately by reporting group, designating water or waster in column (a)

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT
DECEMBER 31, 2003

OTHER DEFERRED CREDITS
ACCOUNT 253

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
REGULATORY LIABILITIES (Class A Utilities: Account 253.1) Regulatory Tax Liability - FAS 109		\$0
Total Regulatory Liabilities	\$0	\$0
OTHER DEFERRED LIABILITIES (Class A Utilities: Account 253.2) Deferred Customer Credit Deferred OPEB Costs Deferred Interest Deferred Lease Income Deltona Land Deferred Executive Comp Plan Others	- - - - - - -	\$2,150,000 - - - 1,180,647 1,348,281 13,000,015
Total Other Deferred Liabilities	\$0	\$17,678,943
TOTAL OTHER DEFERRED CREDITS	\$0	\$17,678,943

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT
DECEMBER 31, 2003

CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271

DESCRIPTION (a)	WATER (W-7) (b)	WASTEWATER (S-7) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance First of Year	\$ 55,717,540	\$ 58,648,643	\$ 175,525,935	\$ 289,892,117
Acquisitions		0	0	0
Add Credits During Year:	\$ <u>4,979,802</u>	\$ <u>3,765,713</u>	\$ <u>13,089,884</u>	\$ <u>21,835,400</u>
Less Debits Charged During Year:	\$ <u>56,460,158</u>	\$ <u>59,102,128</u>	\$ <u>188,615,731</u>	\$ <u>304,178,017</u>
Total Contributions in Aid of Construction	\$ <u><u>4,237,184</u></u>	\$ <u><u>3,312,227</u></u>	\$ <u><u>88</u></u>	\$ <u><u>7,549,500</u></u>

ACCUMULATED AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 272

DESCRIPTION (a)	WATER (W-7) (b)	WASTEWATER (S-7) (c)	W & WW OTHER THAN SYSTEM REPORTING (d)	TOTAL (e)
Balance First of Year	\$ <u>15,065,688</u>	\$ <u>19,517,764</u>	\$ <u>59,285,942</u>	\$ <u>93,869,393</u>
Add Debits During Year:	\$ <u>1,576,807</u>	\$ <u>1,728,948</u>	\$ <u>5,663,879</u>	\$ <u>8,969,634</u>
Less Credits Charged During Year:	\$ <u>15,297,199</u>	\$ <u>19,985,162</u>	\$ <u>64,931,354</u>	\$ <u>100,213,715</u>
Total Accumulated Amortization of Contributions in Aid of Construction	\$ <u><u>1,345,296</u></u>	\$ <u><u>1,261,550</u></u>	\$ <u><u>18,467</u></u>	\$ <u><u>2,625,313</u></u>

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES
(UTILITY OPERATIONS)

1. The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computation of all tax accruals.

2. If the utility is a member of a group which files a consolidated federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

DESCRIPTION (a)	REF. (b)	AMOUNT (c)
Net income for the year	F-3	\$ <u>97,599,351</u>
Reconciling items for the year:		
Taxable income not reported on books:		
CIAC		1,979,755
CIAC Grossup		(9,765)
Income Taxes		54,400,454
Deductions recorded on books not deducted for return:		
Meals and Entertainment		29,366
Lobbying Expenses		554,184
Penalties		(62,584)
Rate Case Expense		789,917
Allowance for Doubtful Accounts		(493,567)
Debt Unamortized Cost Writeoff		1,592,715
Capitalized Interest		600,000
Surcharge Revenue		7,518,850
Miscellaneous Items		748,437
Income recorded on books not included in return:		
AFUDC - Equity		(668,745)
AFUDC - Debt		(453,595)
Deduction on return not charged against book income:		
Tax > Book Depreciation		1,835,132
Condemnation Gain		(35,000,000)
Tax / Book Basis Diff. On Sale		14,720,489
Total Adjustments		<u>48,081,043</u>
State Taxable Income		145,680,394
State Tax @5.5%		8,012,422
Minn Tax @ 3.136%		4,568,538
State Tax - 1999 Amended		(153,205)
State Tax -2002 Adjustment		(10,491)
Federal tax net income		<u>133,263,131</u>
Computation of tax:		<u>35.00%</u>
Calculated Federal Tax		46,642,096
1999 Amended Return		(274,559)
Adjustment to 2002 Provision		36,532
CURRENT FEDERAL TAXES		<u>46,404,069</u>