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**Rhema Business Services, Inc.**

1544 Vickers Drive  
Tallahassee, FL 32305-5041

(850) 582-9886  
(850) 582-9887 FAX

October 1, 1998

Mr. Pete Lester  
Division of Auditing and Financial Analysis  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 980006-WS, Annual reestablishment of authorized range of returns on common equity for water and wastewater utilities, pursuant to Section 367.081(4)(f), Florida Statutes

Dear Pete:

I am filing the following response to your Data Request Regarding Audited Financial Statements on behalf of Commercial Utilities, Division of Grace & Company, Inc. I am the contact person, and you can reach me at the above telephone number and address.

1. Please provide the most recent audited financial statements for the company. If the company does not have audited financial statements but has an accountants' compilation report of financial statements, please provide a copy of the most recent accountants' compilation.

The accountants' compilation report for the quarter ended June 30, 1998 is enclosed.

2. If the company does not have audited financial statements but its parent company does, please provide a copy of the parent company's most recent audited financial Statements.

The parent company does not have audited financial statements.

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3. Please describe the company's debt capital: the source of the financing (bank, individual, etc.), the terms and maturity of the debt, and the type of collateral or security.

The company has no outside debt. It is financed by an intercompany account payable with the parent company. The parent company is 100% equity financed.

4. Does the company obtain debt capital on its own or does it require the backing of its parent company, owner, or affiliated company?

The company requires the backing of its parent company.

Due to the repeal of Rule 25-22.008, Florida Administrative Code, I am mailing a copy of this response to the Division of Records and Reporting with Commercial Utilities' Request for Representation by a Class B Practitioner/Qualified Representative.

If you need additional information or clarification, please call me at 562-9886.

Sincerely,



Norman F. Mears  
Senior Utility Consultant

Enclosure

cc: Division of Records and Reporting  
Mr. Elroy C. Grace

R. R. BEIDELMAN, C. P. A., P. A.

TELEPHONE (904) 389-0876

MEMBER  
FLORIDA INSTITUTE &  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 5388  
1821 FARRAGUT PLACE  
JACKSONVILLE FLORIDA 32207

Commercial Utilities - Grace & Company, Inc.  
865 South Lane Avenue  
Jacksonville, Florida 32205

Re: Sewer

I have compiled the accompanying statement of assets, liabilities, and stockholders' equity-income tax basis of Commercial Utilities-Grace & Company, Inc. (a subsidiary) as of June 30, 1998 and the related statement of revenues and expenses income tax basis for the three months and six months year-to-date then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by the Company for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, I did become aware of a departure from the income tax basis of accounting that is described in the following paragraph.

The income tax basis of accounting requires that a provision for income taxes be provided for the three months and six months ended June 30, 1998. The effect of this departure from the income tax basis of accounting on the accompanying financial statements has not been determined.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

R. R. BEIDELMAN, C.P.A., P.A.



July 15, 1998

COMMERCIAL UTILITIES - GRACE & CO., INC.  
 SEWER DIVISION  
 STATEMENT OF ASSETS, LIABILITIES AND EQUITY  
 INCOME TAX BASIS  
 June 30, 1998

ASSETS

CURRENT ASSETS		
FIRST UNION BANK	40,602.96	
PETTY CASH	50.00	
	-----	
TOTAL CURRENT ASSETS		\$40,652.96
UTILITY PLANT IN SERVICE		
LAND & LAND RIGHTS	2,245.00	
STRUCTURES & IMPROVEMENTS	1,867.78	
COLLECTION SEWERS - FORCE	359,332.94	
COLLECTION SEWERS - GRAVITY	9,458.00	
SERVICES TO CUSTOMERS	3,641.53	
RECEIVING WELLS	32,446.00	
OXIDATION LAGOON	31,279.00	
ACCUMULATED DEPRECIATION	(272,931.28)	
TREATMENT & DISPOSAL EQUIPMENT	130,070.70	
OUTFALL SEWER LINES	287.00	
	-----	
TOTAL UTILITY PLANT IN SERVICE		298,496.67
		-----
TOTAL ASSETS		\$339,149.63
		-----

See Accountant's Compilation Report.

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COMMERCIAL UTILITIES - GRACE & CO., INC.  
 SEWER DIVISION  
 STATEMENT OF ASSETS, LIABILITIES AND EQUITY  
 INCOME TAX BASIS  
 June 30, 1998

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
ACCOUNTS PAYABLE - GRACE & CO	154,914.48	
TOTAL CURRENT LIABILITIES	<u>154,914.48</u>	\$154,914.48
LONG TERM LIABILITIES		
TOTAL LONG TERM LIABILITIES		<u>0.00</u>
TOTAL LIABILITIES		154,914.48
EQUITY		
RETAINED EARNINGS	103,548.08	
CONTRIBUTIONS IN AID OF CONS	148,209.04	
ACCUMULATED AMORTIZATION CIAC	(81,855.79)	
EXCESS REVENUES OVER (EXPENSES)	14,333.02	
TOTAL EQUITY	<u>184,235.15</u>	184,235.15
TOTAL LIABILITIES AND EQUITY		<u>\$339,149.63</u>

See Accountant's Compilation Report.

COMMERCIAL UTILITIES - GRACE & CO., INC.  
SEWER DIVISION  
STATEMENT OF REVENUES AND EXPENSES - INCOME TAX BASIS  
For the three months and six months then ended  
June 30, 1998


	Current Period Three Months	%	Year-to-Date Six Months	%
<b>INCOME</b>				
MEASURED REVENUES	84,807.56	99.3	168,755.11	99.6
INTEREST INCOME	623.30	.7	665.32	.4
	85,430.86	100.0	169,420.43	100.0
<b>GENERAL EXPENSES</b>				
SALARIES & WAGES - EMPLOYEES	3,961.65	4.6	7,923.30	4.7
SALARIES & WAGES - OFFICERS	7,393.65	8.7	14,787.30	8.7
PURCHASED POWER	28,878.39	33.8	71,231.27	42.0
CONTRACTUAL SERVICES	3,129.00	3.7	6,984.38	4.1
RENIS	1,304.01	1.5	2,608.02	1.5
REGULATORY COMMISSION EXPENSE	0.00	.0	15,880.82	9.4
MISCELLANEOUS EXPENSES	80.55	.1	240.10	.1
TOTAL GENERAL EXPENSES	44,747.25	52.4	119,655.19	70.6
<b>INCOME FROM OPERATIONS</b>	<b>40,683.61</b>	<b>47.6</b>	<b>49,765.24</b>	<b>29.4</b>
<b>OTHER EXPENSES</b>				
DEPRECIATION EXPENSES	3,253.11	3.8	6,506.22	3.8
AMORTIZED - C. I. A. C.	(926.31)	(1.1)	(1,852.62)	(1.1)
INTEREST EXPENSE-SEWER	12,657.00	14.8	25,482.00	15.0
TAXES OTHER THAN INCOME	2,648.31	3.1	5,296.62	3.1
TOTAL OTHER EXPENSES	17,632.11	20.6	35,432.22	20.9
<b>EXCESS REVENUES OVER (EXPENSES)</b>	<b>\$23,051.50</b>	<b>27.0</b>	<b>\$14,333.02</b>	<b>8.5</b>

See Accountant's Compilation Report.

**Request for Representation by a  
Class B Practitioner/Qualified Representative**

Commercial Utilities, Division of Grace & Company, Inc. requests approval of Norman F. Mears, whose address is 1344 Vickers Drive, Tallahassee, Florida 32303, and whose telephone number is (850) 562-9886, as its Class B Practitioner/Qualified Representative for responding to the Division of Auditing and Financial Analysis Data Request dated September 11, 1998.

Commercial Utilities, Division of Grace & Company, Inc. is aware of the nature and expense of a Class B Practitioner/Qualified Representative, and is aware that the Florida Public Service Commission has recognized Norman F. Mears as a Class B Practitioner to examine and cross examine witnesses, and to file required data on behalf of water and wastewater utilities in the areas of economics, accounting and finance since May 24, 1982, and is aware that it can be represented by an attorney at its own expense.

  
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Elroy G. Grace  
President