



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: October 5, 1998  
 TO: William T. Rendell, Division of Water and Wastewater  
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL*  
 RE: Docket No. 950495-WS, Florida Water Services, Request for a Corporate Undertaking *ALM*

Florida Water Services Corporation (FWS) requests a corporate undertaking for \$5,314,706 in Docket No. 950495-WS, which would replace the \$3,553,766 currently under bond. The company also has \$2,705,331 under bond in Docket No. 920199-WS.

Staff has reviewed FWS's financial statements for 1994 through 1997. As the attached schedule shows, FWS has adequate liquidity both as a trend and for the most recent period, and the company has been profitable for 1996 and 1997. Compared with S & P's financial ratios for water companies, FWS's current equity ratio is adequate but its interest coverage ratio is somewhat weak.

Staff notes that the company's 1997 net income is greater than the amount requested for a corporate undertaking. Staff believes FWS's financial ratios are adequate given the amount of the corporate undertaking and the amount the company currently has under bond. For these reasons, staff recommends that FWS can support a corporate undertaking in the amount requested.

This brief financial analysis is only appropriate for deciding if the utility can support a corporate undertaking in the amount proposed. It should not be considered a finding regarding staff's positions on other issues.

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_ ~~cc:~~ Division of Legal Services
- CMU \_\_\_\_\_ Andrew Maurey
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_ c:\950495cu.phl
- LEG \_\_\_\_\_
- LIN \_\_\_\_\_
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC   1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE  
 10985 OCT-6 88  
 FPSC-RECORDS/REPORTING

DOCKET NO. 950495-WS  
 FLORIDA WATER SERVICES CORPORATION

FINANCIAL ANALYSIS FOR A CORPORATE UNDERTAKING

CURRENT BONDED AMOUNT      \$3,553,766 IN DKT. 950495-WS  
    \$2,705,331 IN DKT. 920199-WS

TOTAL AMOUNT REQUESTED      **\$5,314,706**      Note: This amount would  
    replace the \$3,553,766 amount.

	DECEMBER 31,			
	1997	1996	1995	1994
CURRENT ASSETS	\$30,994,548	\$23,221,203	\$18,611,085	\$17,830,473
CURRENT LIABILITIES	16,999,671	13,979,965	11,913,569	13,464,822
NET WORKING CAPITAL	13,994,877	9,241,238	6,697,516	4,365,651
CURRENT RATIO	1.82	1.66	1.56	1.32
COMMON EQUITY	\$89,978,995	\$82,723,677	\$75,820,383	\$78,177,299
TOTAL DEBT	118,307,952	129,962,475	128,917,219	107,059,608
TOTAL INVESTOR CAPITAL	208,286,947	212,686,152	204,737,602	185,236,907
EQUITY RATIO	43%	39%	37%	42%
INTEREST EXPENSE	\$9,969,088	\$10,881,691	\$8,644,542	\$9,902,830
EBIT	18,606,772	15,396,407	6,626,033	11,249,948
INTEREST COVERAGE	1.87	1.41	0.77	1.14
NET INCOME	\$7,255,318	\$3,397,923	(\$2,356,914)	\$712,764
ROE	8.06%	4.11%	-3.11%	0.91%

SOURCE: PSC ANNUAL REPORTS FOR 1994, 1995, 1996, and 1997.