



# Public Service Commission

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

**DATE:** October 19, 1998  
**TO:** Trish Merchant, (Division of Water and WasteWater)  
**FROM:** Eva P. Samaan, (Division of Auditing and Financial Analysis) *ED*  
**RE:** Docket No. 981258-WS - Requirement of Corporate Undertaking by Lake Wales Utility Co., Ltd. *ALM*

Staff has analyzed the financial statements of Lake Wales Utility Co., Ltd, for the years 1995-1997 and recommends that a corporate undertaking of \$51,032 be approved.

The criteria for a corporate undertaking include sufficient liquidity, interest coverage, profitability and equity capitalization to guarantee any potential refund. Relative to the amount requested, Lake Wales Co., Ltd has shown sufficient strength in all these areas. In addition, the utility had a level of net income in 1997 that was more than twice the amount under consideration in this case.

While certain inconsistencies exist in the financial statements, they were not significant enough to affect staff's conclusion regarding the utility's ability to support a corporate undertaking in the amount requested.

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

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- LIN \_\_\_\_\_
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC   1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

cc: Division of Legal Services  
 Division of Records and Reporting  
 Andrew L. Maurey

DOCUMENT NUMBER - DATE  
 11679 OCT 20 88  
 FPSC-RECORDS/REPORTING

Lake Wales Utility Co., Ltd  
 Corporate Undertaking  
 Docket No. 981258-WS

	1997	1996	1995
Current Assets	\$29,589.00	\$38,196.00	\$26,541.00
Current Liabilities	\$0.00	\$83,372.00	\$64,656.00
Working Capital	\$29,589.00	(\$45,176.00)	(\$38,115.00)
Current Ratio	<b>NMF</b>	<b>0.46</b>	<b>0.41</b>
Common Equity	\$235,620.00	\$179,728.00	\$49,504.00
Total Debt	\$68,957.00	\$152,329.00	\$201,223.00
Total Investor Capital	\$304,577.00	\$332,057.00	\$250,727.00
Equity Ratio	<b>0.77</b>	<b>0.54</b>	<b>0.20</b>
Interest Expense	\$10,741.00	\$17,790.00	\$22,923.00
EBIT	\$115,934.00	\$101,045.00	\$65,242.00
Interest Coverage	<b>10.79</b>	<b>5.68</b>	<b>2.85</b>
Net Income	\$105,193.00	\$83,407.00	\$42,319.00
ROE	<b>58.53%</b>	<b>35.40%</b>	<b>23.55%</b>
<b>Corporate Undertaking</b>			
Water	\$18,858.00		
Wastewater	\$32,174.00		
Total	<b>\$51,032.00</b>		

Source: Annual Reports for December Ending 1997, 1996 & 1995  
 NMF=Not Meaningful figure