

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In Re: Application for)
certificates to operate a water)
and wastewater utility in)
Charlotte and DeSoto Counties)
by Lake Suzy Utilities, Inc.)

DOCKET NO. 970657-WS

In Re: Application for)
Amendment of Certificate Nos.)
570-W and 496-S in Charlotte)
County by Florida Water Services)
Corporation.)

DOCKET NO. 980261-WS

RECEIVED AND REPORTING

SEP - 1 AM 10:51

RECEIVED-FPSC

LAKE SUZY UTILITIES, INC.'S
NOTICE OF FILING

LAKE SUZY UTILITIES, INC. ("Lake Suzy"), by and through its undersigned attorneys, hereby notices the filing of the Direct Testimony of Anthony J. Villiotti.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice of Filing has been furnished by U.S. Mail to Matthew J. Feil, Esquire, Florida Water Services Corporation, P.O. Box 609520, Orlando, Florida 32860-9520, Ms. Charlotte L. Sopko, Haus Development, Inc., 603 North Eastwood Avenue, Mount Prospect, Illinois 60056-2007, John Marks, Esquire, Knowles, Marks &

- AFA _____
- APP _____
- CAF _____
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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10454 SEP-18

FPSC-RECORDS/REPORTING

Randolph, 215 South Monroe Street, Tallahassee, Florida 32301 and by hand delivery to Tim Vaccaro, Esquire, Florida Public Service Commission, Legal Division, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 this 1st day of September, 1999.

Respectfully submitted this 1st day of September, 1999, by:

ROSE, SUNDSTROM & BENTLEY, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301
(850) 877-6555
(850) 656-4029 FAX



MARTIN S. FRIEDMAN
FL Bar ID No. 0199060
For the Firm

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DIRECT TESTIMONY OF ANTHONY J. VILLIOTTI
ON BEHALF OF
LAKE SUZY UTILITIES, INC.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

CONSOLIDATED DOCKET NOS. 980261-WS & 970657-WS

- 1 Q. Please state your name and business address.
- 2 A. My name is Anthony J. Villiotti and my business address is 200 Corporate
3 Center Drive, Suite 300, Coraopolis, Pennsylvania 15108
- 4 Q. By whom are you employed and what is your position?
- 5 A. I am Vice President and Chief Financial Officer of AquaSource, Inc.
- 6 Q. What are your primary responsibilities as Vice President and Chief Financial
7 Officer of AquaSource, Inc.?
- 8 A. I am responsible for the treasury, accounting, budgeting and other financial
9 functions at AquaSource, Inc. and its subsidiaries.
- 10 Q. What is the relationship between AquaSource Utility, Inc. and AquaSource,
11 Inc.?
- 12 A. AquaSource Utility, Inc. is a wholly owned subsidiary of AquaSource, Inc.
- 13 Q. Is Lake Suzy Utilities, Inc. a wholly owned subsidiary of AquaSource Utility,
14 Inc.?
- 15 A. Yes.
- 16 Q. To the extent Lake Suzy Utilities, Inc. requires funding to expand its utility
17 facilities, from whom will that funding come?
- 18 A. AquaSource, Inc. is committed to providing necessary funding for the
19 expansion of utility facilities at Lake Suzy Utilities, Inc., and will, through
20 AquaSource Utility, Inc. provide that necessary funding.
- 21 Q. Does AquaSource, Inc. have the financial ability to provide such funding?
- 22 A. Yes. I submit Exhibit AJV-1 which are financial statements for AquaSource,
23 Inc.
- 24 Q. What other access does AqusSource, Inc. have to funding?
- 25 A. AquaSource, Inc.'s principal source of external funding is DQE, Inc., which

owns 100% of AquaSource, Inc. DQE is a publicly traded company with a market capitalization of approximately \$3 billion. DQE makes both equity investments in and loans to AquaSource.

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AquaSource, Inc.
Consolidated Balance Sheet

| | June 30, 1999 | December 31, 1998 | | June 30, 1999 | December 31, 1998 |
|--|--------------------|----------------------|---|--------------------|----------------------|
| Assets | | | Liabilities and Shareholders' Equity | | |
| <i>Current Assets</i> | | | <i>Liabilities</i> | | |
| Cash | 2,162,695 | 6,590,508 | <i>Current Liabilities</i> | | |
| Customer accounts receivable, net | 31,406,260 | 10,312,839 | Accounts payable | 8,037,419 | 2,438,776 |
| Funds held by trustee | 3,115,357 | 4,338,356 | Accounts payable - affiliates | 250,724 | 250,724 |
| Other | 2,317,896 | 5,959,270 | Customer deposits | 1,028,044 | 588,973 |
| <i>Total current assets</i> | <u>39,002,208</u> | <u>27,200,973</u> | Current portion of long term debt | 3,250,000 | 3,250,000 |
| <i>Fixed Assets</i> | | | Other accrued liabilities | 10,373,633 | 2,113,231 |
| Utility plant in service | 119,468,046 | 55,917,281 | <i>Total current liabilities</i> | <u>22,938,820</u> | <u>8,621,704</u> |
| Other fixed assets | 52,977,262 | 23,017,137 | | | |
| | <u>172,445,308</u> | <u>78,934,418</u> | <i>Non Current Liabilities</i> | | |
| Accumulated depreciation | (3,939,754) | (1,660,371) | Deferred income taxes | 22,563,056 | 22,956,311 |
| Construction work in progress | 5,025,520 | 1,299,376 | Long term debt | 28,243,700 | 21,821,979 |
| <i>Total fixed assets</i> | <u>173,531,074</u> | <u>78,573,423</u> | Advances from affiliated company | 91,325,853 | - |
| <i>Other Assets and Deferred Charges</i> | | | Contributions in aid of construction | 17,096,558 | 456,238 |
| Investments in Water Companies | 45,409,703 | 34,492,443 | Other | 951,611 | 326,387 |
| Regulatory assets | 35,652,315 | 19,421,131 | <i>Total noncurrent liabilities</i> | <u>158,180,778</u> | <u>45,560,915</u> |
| Goodwill and other intangibles | 88,850,602 | 44,731,965 | | | |
| Deferred tax assets | 12,293,774 | 13,613,338 | <i>Shareholders' Equity</i> | | |
| Collateral / escrow accounts | 27,064,663 | 9,641,082 | Shareholders' equity | 239,556,168 | 180,068,016 |
| Other | 5,141,358 | 7,658,330 | Retained earnings | 3,968,909 | 1,080,050 |
| <i>Total other assets and deferred charges</i> | <u>212,112,413</u> | <u>129,556,289</u> | <i>Total shareholders' equity</i> | <u>243,525,097</u> | <u>181,148,066</u> |
| Total Assets | <u>424,645,695</u> | <u>235,330,685</u> | Total Liabilities and Shareholders' Equity | <u>424,645,695</u> | <u>235,330,685</u> |

Aqua Source, Inc
Consolidated Income Statement

| | 6 months ended 6/30/99 | 12 months ended 12/31/98 |
|-------------------------------|------------------------------|--------------------------------|
| Operating Revenues | 54,958,236 | 30,810,058 |
| Operating Expenses | 45,388,211 | 27,671,324 |
| Depreciation and Amortization | 2,311,587 | 2,421,849 |
| Taxes Other than Income Taxes | <u>945,718</u> | <u>278,236</u> |
| Operating Income | 6,332,720 | 438,649 |
| Other (Income) and Expense | <u>1,787,648</u> | <u>(1,893,821)</u> |
| Income Before Income Taxes | 4,545,072 | 2,332,470 |
| Income Taxes | <u>1,656,219</u> | <u>816,365</u> |
| Net Income | 2,888,853 | 1,516,105 |