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DIRECT TESTIMONY OF JAMES A. PERRY  
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
ON BEHALF OF  
FLORIDA WATER SERVICES CORPORATION  
DOCKET NO. 990054-WU

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FPSC-RECORDS/REPORTING

1 Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?  
2 A. My name is James A. Perry and my business address  
3 is 1000 Color Place, Apopka, Florida 32703.  
4 Q. WHAT IS YOUR POSITION WITH FLORIDA WATER SERVICES  
5 CORPORATION?  
6 A. My position is Vice President - Chief Financial  
7 Officer/Treasurer for Florida Water Services  
8 Corporation ("Florida Water").  
9 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK  
10 EXPERIENCE?  
11 A. I am a graduate of the University of Central  
12 Florida, I hold a certificate from Wharton's  
13 Executive Development Program. I hold professional  
14 certifications of CPA, CIA, CISA. My work history  
15 includes: Vice President Finance for Palm Coast  
16 Utility Corporation from September 1991 through  
17 September 1999; Internal Audit Manager for ITT  
18 Community Development Corporation from June 1985-  
19 August 1991; Supervisor for Brent Milikan & Co.,  
20 CPA's from September 1982-June 1985; Auditor for  
21 U.S. Home Corporation from April 1981-September  
22 1982; and Staff Auditor for Cherry, Beckart &  
23 Holland from January 1979 through March 1981.  
24 Q. WHAT ARE YOUR PRESENT DUTIES AS VICE PRESIDENT -  
25 CHIEF FINANCIAL OFFICER/TREASURER FOR FLORIDA

1           **WATER?**

2           A.    I am responsible for accounting, financial  
3           reporting, budgeting, strategic planning, treasury  
4           and information systems.

5           Q.    **WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
6           **PROCEEDING?**

7           A.    To support Florida Water's amendment application  
8           and specifically, to testify that Florida Water has  
9           the financial ability to provide service in the  
10          territory requested. I have attached to my  
11          testimony as Exhibit (\_\_\_\_) JAP-1, a copy of  
12          Florida Water's audited balance sheet and income  
13          statement for year-end 1998. These audited  
14          financials verify Florida Water's financial  
15          strength and soundness.

16          Q.    **WAS EXHIBIT (\_\_\_\_) JAP-1 PREPARED BY YOU OR AT YOUR**  
17          **DIRECTION AND CONTROL?**

18          A.    The financial statements were prepared at the  
19          direction and under the control of my predecessor,  
20          but I am familiar with them and adopt same as  
21          though they were prepared by me or under my  
22          control.

23          Q.    **DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

24          A.    Yes, it does.

**Balance Sheets**  
**December 31, 1998 and 1997**

	1998	1997
<b>Assets</b>		
Utility plant:		
Utility plant in service	\$ 388,437,349	\$ 370,497,784
Plant held for future use	913,325	946,134
Construction work-in-process	9,622,395	9,563,730
	<u>398,973,069</u>	<u>381,007,648</u>
Less - Accumulated depreciation and amortization	(116,569,730)	(105,382,948)
Acquisition adjustment, net of accumulated amortization of \$255,000 in 1998 and \$245,000 in 1997	(130,075)	(238,938)
	<u>282,273,264</u>	<u>275,385,762</u>
Net utility plant		
Other investments:		
Land held for sale	750,017	914,876
Bonds and other	1,847,129	3,539,685
	<u>2,597,146</u>	<u>4,454,561</u>
Total other investments		
Current assets:		
Cash and cash equivalents	11,879,881	20,857,911
Accounts receivable, less allowance for doubtful accounts of \$394,000 in 1998 and \$418,000 in 1997	3,103,761	2,997,487
Accrued unbilled revenue (Note 2)	7,342,630	4,599,290
Income taxes receivable	315,889	-
Other receivables	254,800	350,744
Inventories	246,404	113,061
Prepaid expenses and other assets	1,052,540	454,711
	<u>24,195,905</u>	<u>29,373,204</u>
Total current assets		
Other assets and deferred charges:		
Restricted funds held by trustee	2,060,300	1,356,940
Unamortized debt issue costs	7,281,840	7,613,973
Extraordinary abandonment	938,766	873,519
Income taxes recoverable through rates	1,712,657	4,396,855
Preliminary survey and investigation	1,518,084	957,358
Deferred rate case expenses	2,123,631	2,522,152
Unamortized capacity fees	378,159	462,207
Other deferred charges	3,829,159	3,454,297
	<u>19,842,596</u>	<u>21,637,301</u>
Total other assets and deferred charges		
	<u>\$ 328,908,911</u>	<u>\$ 330,850,828</u>

See accompanying notes to financial statements.

**Florida Water Services Corporation**  
(A wholly-owned subsidiary of MP Water Resources Group, Inc.)

EXHIBIT                     (JAR-1)

PAGE     2     OF     3    

**Balance Sheets**  
**December 31, 1998 and 1997**

	1998	1997
<b>Capitalization and Liabilities</b>		
Capitalization:		
Common stock, \$250 par value; 500 shares authorized; 430 shares issued and outstanding in 1998 and 1997	\$ 107,500	\$ 107,500
Additional paid-in capital	76,354,870	76,230,277
Retained earnings	9,757,353	13,641,218
	<hr/>	<hr/>
Total stockholder's equity	86,219,723	89,978,995
	<hr/>	<hr/>
Long-term debt	117,775,721	118,051,169
	<hr/>	<hr/>
Total capitalization	203,995,444	208,030,164
	<hr/>	<hr/>
Current liabilities:		
Accounts payable	5,092,908	4,587,642
Current portion of long-term debt	246,862	256,783
Accounts payable (receivable) - affiliates	3,478,760	(2,799,057)
Customer deposits	1,847,376	1,838,717
Income taxes payable	-	4,931,388
Accrued taxes payable other than income taxes	2,470,583	2,603,799
Accrued interest	2,605,183	2,789,252
Other current liabilities	1,100,251	3,047,930
	<hr/>	<hr/>
Total current liabilities	16,841,923	17,256,454
	<hr/>	<hr/>
Commitments and contingencies (Notes 2 and 11)		
Deferred credits and other liabilities:		
Advances for construction from affiliates	8,427,012	8,545,425
Other deferred credits	4,121,038	2,952,658
Income taxes refundable through rates	1,242,679	2,700,231
Contributions-in-aid-of-construction, less accumulated amortization of \$38,199,000 in 1998 and \$34,964,000 in 1997	86,543,329	82,238,762
Deferred income taxes	6,205,653	7,453,906
Deferred investment tax credits	1,531,833	1,673,228
	<hr/>	<hr/>
Total deferred credits and other liabilities	108,071,544	105,564,210
	<hr/>	<hr/>
	\$ 328,908,911	\$ 330,850,828
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See accompanying notes to financial statements.

**Statements of Operations**  
**For the Years Ended December 31, 1998 and 1997**

	1998	1997
<b>Operating revenues:</b>		
Water	\$ 40,959,097	\$ 39,675,923
Wastewater	28,985,462	28,500,320
Other	714,650	698,399
	<u>70,659,209</u>	<u>68,874,642</u>
<b>Operating expenses:</b>		
Water operations and maintenance	13,836,768	13,330,911
Wastewater operations and maintenance	10,966,173	10,776,065
Customer accounts	2,679,073	2,899,343
Administrative and general	8,879,234	8,281,250
Taxes other than income taxes	7,728,928	8,349,138
Depreciation and amortization	9,793,957	9,222,557
Income tax expense - utility income	2,869,236	1,764,351
	<u>56,753,369</u>	<u>54,623,615</u>
Total operating expenses		
	<u>56,753,369</u>	<u>54,623,615</u>
Total net operating income	<u>13,905,840</u>	<u>14,251,027</u>
<b>Other income (deductions):</b>		
Interest income	2,706,929	1,530,891
AFUDC	552,139	587,915
AFPI	1,249,914	632,187
Gain on disposal of assets	369,514	6,966,399
Interest expense	(9,285,170)	(10,226,975)
Other non-operating expenses, net	(1,902,885)	(2,729,794)
Adjustment of regulatory assets	-	(1,571,199)
Income tax expense - non utility	(1,480,146)	(2,185,133)
	<u>(7,789,705)</u>	<u>(6,995,709)</u>
Total net other deductions		
	<u>(7,789,705)</u>	<u>(6,995,709)</u>
Net income	<u>\$ 6,116,135</u>	<u>\$ 7,255,318</u>

See accompanying notes to financial statements.