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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

INTERVENOR DIRECT TESTIMONY OF

DEBORAH D. SWAIN

ON BEHALF OF

NOCATEE UTILITY CORPORATION AND DDI, INC.

DOCKET NOS. 990696-WS & 992040-WS

March 17, 2000

Q. Please state your name and business address.

A. My name is Deborah D. Swain. My business address is
2025 Southwest 32nd Avenue, Miami, FL 33415.

Q. By whom are you employed and in what capacity?

A. I am Vice President of the consulting firm of Milian,
Swain & Associates, Inc.

Q. Have you previously filed direct testimony in support
of Nocatee Utility Corporation's certificate
application in these consolidated dockets?

A. Yes.

Q. What is the purpose of your intervenor direct
testimony?

A. This testimony contains my evaluation, on behalf of
Nocatee Utility Corporation (NUC) and its parent
company, DDI, Inc. (DDI), of the competing application
filed by Intercoastal Utilities (Intercoastal) to serve
territory West of the Intracoastal Waterway that

DOCUMENT NUMBER-DATE

1 comprises the Nocatee development. In particular, I
2 have focused on the financial and rate aspects of that
3 application.

4 **Q. Are you sponsoring any exhibits with this testimony?**

5 A. Yes. I am sponsoring three exhibits, which I refer to
6 later in my testimony.

7 **Q. Have you reviewed Intercoastal's financial statements?**

8 A. Yes. Intercoastal did not provide any financial
9 statements with its application in this docket. I
10 therefore reviewed the Financial Report for the year-
11 ended August 31, 1998, prepared by Smoak, Davis & Nixon
12 LLP, that was submitted by Intercoastal to St. Johns
13 County in support of its earlier attempt to extend its
14 service territory. I also reviewed the financial
15 section of the annual report that Intercoastal
16 submitted to St. Johns County for the year ended
17 December 31, 1998. Copies of these documents are
18 attached for informational purposes as Exhibits ____
19 (DDS-6) and ____ (DDS-7).

20 **Q. What observations do you have about these financial**
21 **statements.**

22 A. They show that Intercoastal suffered net losses in 1997
23 and 1998, and that by December 1998, Intercoastal had
24 paid-in capital of approximately \$69,000 and a retained
25 earning deficit of about \$1,656,000, resulting in

1 negative equity of almost \$1,587,000. The statements
2 also show that Intercoastal had long term debt of over
3 \$3.6 million. Furthermore, a note to the August 31
4 Financial Report indicates that increased debt has been
5 secured to fund plant improvements, resulting in a
6 sharp increase in the scheduled principal payments on
7 that debt from about the \$150,000 per year range in
8 1999-2002 to about \$1.1 million in 2003.

9 **Q. What conclusions do you draw from this financial**
10 **information?**

11 **A.** First, Intercoastal has been unable to pay its debt
12 service from operating earnings for the years 1997 and
13 1998. They have had to increase wastewater rates over
14 40% in part to pay for new debt. It is unclear from
15 the information provided if this increase will provide
16 revenues adequate to pay for the new debt.

17 Second, the negative equity and highly leveraged
18 position of the utility indicates a high financial risk
19 and certainly raises questions regarding the continued
20 financial viability of the utility over the long term,
21 particularly in light of its plans to finance its
22 expansion into the requested territory entirely through
23 debt.

24 **Q. Does it appear that Intercoastal's shareholders intend**
25 **to make any equity investment to support the funding**

1 **needed to serve the proposed expansion territory?**

2 A. No. Mr. Burton's Exhibit ____ (MB-1) projects that the
3 utility will finance its investment in new plant
4 entirely through additional borrowings. For example,
5 page 24 of his exhibit shows \$1,877,750 of projected
6 borrowings in 2000 and another \$12 million of
7 borrowings in 2002, with no equity additions
8 whatsoever. This is an increase in current debt of
9 400% in the next couple of years.

10 **Q. Can you tell from the financial information provided if**
11 **Intercoastal will be able to pay for its increased**
12 **debt?**

13 A. It does not look like they can, under any of the
14 scenarios presented in Mr. Burton's Exhibit ____ (MB-1).
15 Looking at Figure 1, Scenario 1 (page 8), the "Achieved
16 Return" indicated on line 22 for the year 2000 is
17 \$213,000, up to \$719,000 in 2005. "Achieved Return" is
18 used to mean the level of income earned out of which
19 interest is paid. However, interest expense in those
20 same years, taken from Figure 14 (pages 24-27), line 31
21 is \$605,000 in 2000, up to \$1,229,000 in 2005. In
22 fact, according to Mr. Burton's exhibit, the utility is
23 unable to pay its interest out of operating income in
24 any year he has shown. It appears that this is because
25 debt far exceeds rate base throughout the projection

1 period.

2 Q. What particular significance do the years that you are
3 referring to have?

4 A. The initial rates that I have calculated for NUC are
5 based upon the financial condition in the year the
6 utility's Phase 1 reaches 80% capacity. This is
7 expected to take place around 2005. The rates that I
8 have determined for NUC would enable it to earn income
9 adequate to fully pay its debt and equity obligations
10 in that year.

11 Q. Have you reviewed the rate projections and other
12 financial analysis contained in Mr. Burton's Exhibit
13 ____ (MB-1)?

14 A. Yes I have.

15 Q. Do you agree with Mr. Burton's conclusion that the
16 extension of Intercoastal's territory to the West of
17 the Intracoastal Waterway could reduce rate pressure
18 over the long term?

19 A. I agree at a theoretical level that if the fixed costs
20 of service can be spread over a larger customer base,
21 and all other things remain equal, one would expect
22 rates to decrease. In fact, some preliminary analyses
23 that I have performed for NUC show that its rates
24 should decrease over time as Nocatee grows and
25 additional customers are served.

1 Until I can review Mr. Burton's workpapers and
2 assumptions in more detail, however, I cannot agree
3 with his specific conclusions about Intercoastal.

4 **Q. Have you compared Intercoastal's rates with those of**
5 **NUC?**

6 A. Yes. I have compared Intercoastal's existing rates --
7 which it proposes to apply to customers in the
8 expansion territory -- with the initial rates that NUC
9 has requested in this docket. I have attached a chart
10 which shows this comparison as Exhibit ____ (DDS-8).

11 **Q. What conclusions do you draw from this comparison?**

12 A. In general, Intercoastal's water rates are somewhat
13 lower than NUC's proposed rates, while its wastewater
14 rates are somewhat higher. The combined water and
15 wastewater bill for the consumption level that
16 Intercoastal identifies as an average customer (5,333
17 gallons per month) are virtually identical. The level
18 of rates therefore should not be a major factor in the
19 Commission's decision in these dockets.

20 **Q. Have you identified any differences in the assumptions**
21 **that went into the development of these rates?**

22 A. Intercoastal's proposed rates simply mirror the rates
23 that are currently in effect under regulation by St.
24 Johns County. They do not include any pro forma effect
25 of expanding the system to serve West of the

1 Intracoastal Waterway. They also may not include the
2 full ratemaking effect of water and wastewater plant
3 expansions which are in progress or have been recently
4 completed.

5 NUC's proposed rates are based on projected costs
6 when the first phase of the water and wastewater
7 systems reach 80% of capacity. They thus include
8 specific costs to serve the territory at issue.

9 **Q. In performing his financial analysis of future rate**
10 **pressure, what assumptions did Mr. Burton make about**
11 **utility investment in lines?**

12 **A.** Based on the Conceptual Master Plan prepared by Post
13 Buckley, Mr. Burton apparently assumed that
14 Intercoastal would invest only in the backbone mains
15 running along County Road 210, and that all other
16 transmission, distribution and collection mains would
17 be contributed by the respective developers. As Mr.
18 Doug Miller testifies, the backbone wastewater lines
19 shown in Phase 1 do not appear to be adequately sized
20 to serve the first phase of the Nocatee development.
21 The combination of these two factors results in
22 Intercoastal estimating an unreasonably low amount of
23 utility investment in lines. This results in an
24 excessive level of CIAC, and therefore an artificially
25 low projection of future rates.

1 It also appears that these developer contributed
2 lines may have been excluded from Mr. Burton's
3 projection of future net CIAC as a percentage of future
4 plant. If so, his conclusion that Intercoastal's CIAC
5 will remain within Commission guidelines is suspect,
6 and cannot be verified.

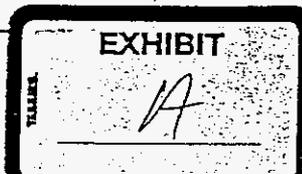
7 **Q. Does that conclude your intervenor direct testimony?**

8 **A. Yes it does.**

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INTERCOASTAL UTILITIES, INC.
FINANCIAL REPORT
AUGUST 31, 1998

SMOAK, DAVIS & NIXON LLP
CERTIFIED PUBLIC ACCOUNTANTS
1514 NIRA STREET
JACKSONVILLE, FLORIDA 32207



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(1889-1963)
JEWELL A. DAVIS, C.
(1897-1982)
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(1907-1980)

To the Board of Directors
Intercoastal Utilities, Inc.
Jacksonville, Florida

Accountant's Review Report

We have reviewed the accompanying balance sheets of Intercoastal Utilities, Inc. as of August 31, 1998 and 1997, and the related statements of income, retained earnings (deficit), and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Intercoastal Utilities, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Smook, Davis & Nixon LLP

November 19, 1998

INTERCOASTAL UTILITIES, INC.

BALANCE SHEETS

August 31, 1998 and 1997

ASSETS	1998	1997
UTILITY PLANT (Note 1)		
Water - franchises	34,630	34,630
Water - structures and improvements	48,170	48,170
Water - distribution and treatment plant	6,211,343	5,696,716
Water - utility plant acquisition adjustment	187,303	187,303
Sewer - franchises	34,630	34,630
Sewer - structures and improvements	169,108	163,608
Sewer - collection and treatment plant	10,180,718	9,120,212
Sewer - utility plant acquisition adjustment	243,854	243,854
General plant	27,350	24,374
Construction in progress	622,056	341,066
	<u>17,759,162</u>	<u>15,894,563</u>
Less accumulated depreciation	4,393,839	3,879,331
	<u>13,365,323</u>	<u>12,015,232</u>
CURRENT ASSETS		
Cash	87,183	111,975
Cash investment	20,894	119,293
Total cash and cash investments (Note 1)	<u>108,077</u>	<u>231,268</u>
Customer accounts receivable (net of allowance for bad debts of \$1,000) (Note 1)	369,552	290,172
Other receivables	5,783	2,791
Prepaid expenses	11,265	10,536
Prepaid and refundable income taxes	54,282	98,883
	<u>548,959</u>	<u>633,650</u>
OTHER ASSETS		
Deferred income taxes (Note 2)	1,750,252	1,833,279
Deferred rate case expense	88,203	-0-
Unamortized loan costs	41,250	4,936
Other assets	149,637	575
	<u>2,029,342</u>	<u>1,838,790</u>
	<u>15,943,624</u>	<u>14,487,672</u>

SEE ACCOUNTANT'S REVIEW REPORT

The Notes to Financial Statements are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	<u>1998</u>	<u>1997</u>
STOCKHOLDERS' EQUITY		
Common stock, par value \$10 per share, 300 shares authorized, issued and outstanding	3,000	3,000
Additional paid-in capital	66,623	66,623
Retained earnings (deficit)	<u>(1,564,470)</u>	<u>(1,424,844)</u>
	<u>(1,494,847)</u>	<u>(1,355,221)</u>
 LONG-TERM DEBT (Note 3)	 <u>3,546,103</u>	 <u>2,172,615</u>
 CURRENT LIABILITIES		
Current portion of long-term debt (Note 3)	136,203	1,308,457
Accounts payable	180,524	3,564
Accrued property taxes	136,426	106,664
Accrued interest	6,456	21,501
Other accrued expenses	4,066	2,801
	<u>463,675</u>	<u>1,442,987</u>
 OTHER LIABILITIES AND DEFERRED CREDITS		
Advances from developers (Note 4)	341,821	307,416
Deferred contributed income taxes (Note 6)	2,495,180	2,570,498
Deferred investment tax credits (Note 1)	4,486	4,889
	<u>2,841,487</u>	<u>2,882,803</u>
 CONTRIBUTIONS IN AID OF CONSTRUCTION (Note 1)	 <u>10,587,206</u>	 <u>9,344,488</u>
	<u>15,943,624</u>	<u>14,487,672</u>

INTERCOASTAL UTILITIES, INC.

STATEMENTS OF INCOME

Years Ended August 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Operating revenues:		
Water	845,920	724,787
Sewer	<u>1,246,494</u>	<u>1,103,219</u>
	<u>2,092,414</u>	<u>1,828,006</u>
Operating expenses:		
Operations and maintenance	1,091,782	830,277
Administrative and general	554,053	521,033
Taxes, other than income taxes	196,825	159,453
Depreciation	147,077	138,951
Amortization of acquisition adjustment	<u>10,935</u>	<u>10,935</u>
	<u>2,000,672</u>	<u>1,660,649</u>
Operating income	91,742	167,357
Other income	(565)	6,613
Interest income	12,689	18,681
Interest expense	<u>(290,468)</u>	<u>(263,852)</u>
Income (loss) before income taxes	(186,602)	(71,201)
Provision for income taxes (Note 2)	<u>(46,976)</u>	<u>(46,988)</u>
Net income (loss)	<u>(139,626)</u>	<u>(24,213)</u>

SEE ACCOUNTANT'S REVIEW REPORT

The Notes to Financial Statements are an integral part of these statements.

INTERCOASTAL UTILITIES, INC.
STATEMENTS OF RETAINED EARNINGS (DEFICIT)
Years Ended August 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Balance, beginning	(1,424,844)	(1,400,631)
Net income (loss)	<u>(139,626)</u>	<u>(24,213)</u>
Balance, ending	<u>(1,564,470)</u>	<u>(1,424,844)</u>

SEE ACCOUNTANT'S REVIEW REPORT

The Notes to Financial Statements are an integral part of these statements.

INTERCOASTAL UTILITIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended August 31, 1998 and 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(139,626)	(24,213)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Deferred income taxes	83,027	110,252
Deferred investment tax credits	(403)	(403)
Contributed income taxes	-0-	(49,203)
Amortization of contributed income taxes	(75,318)	(75,337)
Depreciation and amortization	158,012	149,886
Decrease (increase) in receivables	(82,372)	(31,100)
Decrease (increase) in prepaid expenses	(729)	(2,770)
Decrease (increase) in prepaid and refundable income taxes	44,601	(85,692)
Decrease (increase) in other assets	(273,579)	9,572
Increase (decrease) in accounts payable	176,960	(103,658)
Increase (decrease) in accrued expenses	15,982	5,089
Net cash provided by (used in) operating activities	<u>(93,445)</u>	<u>(97,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of utility plant	(618,870)	(528,748)
Contributions in aid of construction	490,916	445,599
Advances from developers	34,405	(4,520)
Net cash provided by (used in) investing activities	<u>(93,549)</u>	<u>(87,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	174,500	-0-
Repayment of long-term debt	(110,697)	(58,016)
Net cash provided by (used in) financing activities	<u>63,803</u>	<u>(58,016)</u>
Net increase (decrease) in cash	(123,191)	(243,262)
Cash at beginning of year	231,268	474,530
Cash at end of year	<u>108,077</u>	<u>231,268</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest expense	292,327	257,358
Income taxes (net of refunds)	(98,883)	4,192
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Utility property contributed by developers	1,055,699	775,606
Utility property acquired with long-term debt	190,030	564,918

SEE ACCOUNTANT'S REVIEW REPORT

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

The company provides water and sewer services to certain designated areas in St. Johns County, Florida.

Cash:

Cash includes all cash balances and highly liquid investments with a maturity of three months or less. The company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

Customer Accounts Receivable:

Customers are billed for water and sewer services monthly or quarterly in advance at the minimum rates, plus water and sewer usage charges and service charges applicable for the previous month or quarter. Customer accounts receivable are stated at their face value less an allowance for doubtful accounts.

Utility Plant and Contributions in Aid of Construction:

Utility plant is recorded at original cost. Contributions in aid of construction are recognized when developers contribute utility plant or contribute funds to construct or reimburse for the cost of utility plant. Depreciation is calculated on the straight-line method. Depreciation applicable to contributed utility plant is charged to the contributions in aid of construction account rather than to depreciation expense.

Rate Case and Loan Costs:

Rate case costs are amortized to expense over four years beginning with the period when the new rates go into effect. Loan costs are amortized to expense over the life of the loan.

Investment Credit:

The investment credit permitted by Section 38 of the Internal Revenue Code is accounted for by the deferral method, and is therefore taken into income over the life of the related property.

Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SEE ACCOUNTANT'S REVIEW REPORT

NOTES TO FINANCIAL STATEMENTS

Note 2. Income Taxes

Income taxes are summarized as follows:

	1998	1997
Current - tax returns	-0-	-0-
Refund - loss carryback claim	(54,282)	(81,500)
Deferred investment tax credits	(403)	(403)
Deferred income taxes	83,027	110,252
Amortization of contributed income taxes	(75,318)	(75,337)
Provision for income taxes	<u>(46,976)</u>	<u>(46,988)</u>

Legislation enacted in 1996 repealed the income tax on contributions in aid of construction received after June 12, 1996. The company has no tax basis in contributed property after that date.

The company has a federal alternative minimum tax credit carryover of \$108,273 at August 31, 1998.

Deferred income taxes are recognized due to temporary differences between financial statement income and taxable income. Significant temporary differences are as follows:

- (1) Depreciation is calculated by the straight-line method in the financial statements and by accelerated methods in the tax returns.
- (2) Contributions in aid of construction and contributed income taxes are amortized over the life of related utility plant in the financial statements. These contributions were recognized as taxable income when received in the tax returns for all contributions received after 1986 and prior to June 12, 1996. Tax depreciation is allowed on contributed property which was included in taxable income.
- (3) Alternative minimum tax credit carryovers are available to use in future income tax returns.

Note 3. Long-Term Debt

Long-term debt and related current portion consist of the following:

	1998	1997
<u>Bank Note Payable</u> - The bank debt was refinanced on November 18, 1997 and provides for additional funds for plant expansion (total loan available of \$4,500,000). The plant expansion should begin after the new rates are approved in the current rate case. The new note provides for monthly interest payments at libor plus 1.75% (7.39% at 8-31-98) and monthly principal payments of \$4,170 for June, 1998 through November, 1998 and \$8,877 for December, 1998 through November, 2002. The note matures November 17, 2002. The note is secured by a mortgage and security agreement on the utility property and is guaranteed by certain stockholders.	1,427,259	1,284,019

SEE ACCOUNTANT'S REVIEW REPORT

NOTES TO FINANCIAL STATEMENTS

Note 3. (Continued)

	<u>1998</u>	<u>1997</u>
<u>Developer Notes Payable</u> - The notes were issued to various developers to purchase certain water distribution and sewer collection lines and facilities. The notes provide for monthly interest payments which range from 6.33% to 7.94% and a twenty year amortization of principal which commences after five years or when 80% of the lots within each development are connected.	1,649,303	1,573,865
<u>Related Party Developer Note Payable</u> - The note provides for monthly payments of \$5,525 for twenty years which includes principal and interest at 7.94% and matures in 2015.	<u>605,744</u>	<u>623,188</u>
	3,682,306	3,481,072
Less current portion of long-term debt	<u>136,203</u>	<u>1,308,457</u>
	<u>3,546,103</u>	<u>2,172,615</u>

Principal payments on long-term debt in the succeeding five years, based on terms in effect at year end, are due as follows:

Year ending August 31, 1999	136,203
2000	155,637
2001	167,748
2002	176,532
2003	1,091,441
Subsequent Years	<u>1,954,745</u>
	<u>3,682,306</u>

Note 4. Advances from Developers

Certain developers have advanced funds to the company in order to reserve capacity for water and sewer service. These advances are recognized as contributions in aid of construction when the developer requests that connections be made to the company's system.

SEE ACCOUNTANT'S REVIEW REPORT

NOTES TO FINANCIAL STATEMENTS

Note 5. Related Party Transactions

The company has a management agreement with a related party that is a subsidiary of a stockholder. Management fees were \$100,000 in 1998 and \$79,167 in 1997.

The management company also charged Intercoastal \$1,099,162 in 1998 and \$808,244 in 1997 for certain operating expenses and \$587,919 in 1998 and \$507,355 in 1997 for costs which were capitalized.

The company has a balance payable to the management company of \$115,830 included in accounts payable at August 31, 1998.

Note 6. Deferred Contributed Income Taxes

The company collected contributed income taxes from developers to reimburse for income taxes on contributions in aid of construction (CIAC). The company amortizes the contributed income taxes over the life of the related CIAC.

Contributed property received after June 12, 1996 is no longer subject to income taxes due to legislation enacted in 1996. Therefore, contributed income taxes will not be collected on contributions after that date.

Note 7. Contingencies

The company is subject to a lawsuit which relates to a claim for certain stock currently issued to another party. The company believes that it has meritorious defenses and this matter will not have a material adverse effect on the financial position of the company.

Note 8. Rate Case

The company had a limited proceeding rate case which increased its wastewater rates by 40.93% effective November 1, 1998. The percentage increase will be reduced to 37.32% in approximately four years after recovery of rate case expenses. The limited proceeding relates to the wastewater treatment plant expansion which is estimated to cost approximately \$2,900,000. The company intends to file a full rate case within 18 months of the final order, at which time the plant expansion will be in operation.

SEE ACCOUNTANT'S REVIEW REPORT

**ST. JOHNS COUNTY
WATER AND SEWER AUTHORITY**

Annual Report for:

Intercoastal Utilities, Inc.

Utility

For the Calendar Year Ending: 1998

Filing Date: June 30, 1999

FINANCIAL SECTION

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

COMPARATIVE BALANCE SHEET - SUMMARY

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)	SECOND PREV. YEAR (f)
ASSETS AND OTHER DEBITS:					
101-115	Total Net Utility Plant	F-1b	\$ 13,274,798	\$ 12,125,498	\$ 10,706,446
121-127	Total Other Property and Investments	F-1b			
131-174	Current and Accrued Assets:				
131	Cash	F-1b	322,132	414,345	438,529
135	Temporary Cash Investments	F-1b		120,057	117,968
	Other Current and Accrued Assets	F-1b	422,008	218,412	146,396
	Total Current and Accrued Assets	F-1b	\$ 744,140	\$ 752,814	\$ 702,893
181-190	Total Deferred Debits	F-1b	1,938,936	1,881,128	1,955,048
	TOTAL ASSETS AND OTHER DEBITS	F-1b	\$ 15,957,874	\$ 14,759,440	\$ 13,364,387
EQUITY CAPITAL AND LIABILITIES:					
Equity Capital:					
201-218	Common and Preferred Stock Issued	F-1c	\$ 3,000	\$ 3,000	\$ 3,000
210	Retained Earnings	F-1c	(1,656,332)	(1,564,204)	(1,470,746)
214-215	Other Equity Capital	F-1c	66,623	66,623	66,623
	Total Equity Capital:	F-1c	\$ (1,586,709)	\$ (1,494,581)	\$ (1,401,123)
221-224	Total Long Term Debt	F-1c	3,647,063	3,667,654	3,018,011
Current and Accrued Liabilities					
231-232	Accounts and Notes Payable	F-1c	217,068	56,938	18,927
233-234	Accounts and Notes Payable to Associated Companies	F-1c			
235	Customer Deposits	F-1c			
	Other current and Accrued Liabilities	F-1c	190,057	137,112	149,371
	Total Current and Accrued Liabilities	F-1c	407,125	194,050	168,298
251-255	Total Deferred Credits	F-1c	2,766,082	2,949,010	2,884,553
261-265	Total Operating Reserves	F-1d			
271-272	Total Net C.I.A.C.	F-1d	10,724,313	9,443,307	8,694,648
281-283	Total Accumulated Deferred Income Taxes	F-1d			
	TOTAL EQUITY CAPITAL AND LIABILITIES	F-1d	\$ 15,957,874	\$ 14,759,440	\$ 13,364,387

Notes to the Balance Sheet:

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)	SECOND PREV. YEAR (f)
	UTILITY PLANT				
101-105	Utility Plant		\$ 17,416,848	\$ 15,737,297	\$ 13,835,807
108-110	Less: Accumulated Depreciation and Amortization		4,403,709	3,884,394	3,412,891
	Net Plant		\$ 13,013,139	\$ 11,852,903	\$ 10,422,916
114-115	Utility Plant Acquisition Adjustments (Net)		261,659	272,595	283,530
	Other Plant Adjustments (specify)				
	Total Net Utility Plant		\$ 13,274,798	\$ 12,125,498	\$ 10,706,446
	OTHER PROPERTY AND INVESTMENTS				
121	Nonutility Property		\$	\$	\$
122	Less: Accumulated Depreciation and Amortization				
	Net Nonutility Property		\$	\$	\$
123	Investments in Associated Companies				
124	Utility Investments				
125	Other Investments				
126-127	Special Funds				
	Total Other Property and Investments		\$	\$	\$
	CURRENT AND ACCRUED ASSETS				
131	Cash		\$ 322,132	\$ 414,345	\$ 438,529
132	Special Deposits				
133	Other Special Deposits				
134	Working Funds				
135	Temporary Cash Investments			120,057	117,968
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts		194,402	95,136	71,376
145	Accounts Receivable from Associated Companies				
146	Notes Receivable from Associated Companies				
151-153	Materials and Supplies		153,741	92,367	39,492
161	Stores Expense				
162	Prepayments		73,290	30,334	35,153
171	Accrued Interest and Dividends Receivable				
174	Misc. Current and Accrued Assets		575	575	375
	Total Current and Accrued Assets		\$ 744,140	\$ 752,814	\$ 702,893
	DEFERRED DEBITS				
181	Unamortized Debt Discount & Expense		\$	\$	\$
182	Extraordinary Property Losses				
183	Preliminary Survey and Investigation Charges				
184	Clearing Accounts				
186	Miscellaneous Deferred Debits		188,684	47,849	11,517
187	Research and Development Expenditures				
190	Accumulated Deferred Income Taxes		1,750,252	1,833,279	1,943,531
	Total Deferred Debits		\$ 1,938,936	\$ 1,881,128	\$ 1,955,048
	TOTAL ASSETS AND OTHER DEBITS		\$ 15,957,874	\$ 14,759,440	\$ 13,364,387
	— CONTINUED ON NEXT PAGE —				

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc. _____

YEAR OF REPORT: 1998

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)	SECOND PREV. YEAR (f)
	<u>EQUITY CAPITAL</u>				
201	Common Stock Issued		\$ 3,000	\$ 3,000	\$ 3,000
204	Preferred Stock Issued				
202-205	Capital Stock Subscribed				
203,206	Capital Stock Liability for Conversion				
207	Premium on Capital Stock				
209	Reduction in Par or Stated Value of Capital Stock				
210	Gain on Resale or Cancellation of Capital Stock				
211	Other Paid-in Capital		66,623	66,623	66,623
212	Discount on Capital Stock				
213	Capital Stock Expense				
214-215	Retained Earnings		(1,656,332)	(1,564,204)	(1,470,746)
216	Reacquired Capital Stock				
218	Proprietary Capital (Proprietorship and Partnership Only)				
	Total Equity Capital		\$ (1,586,709)	\$ (1,494,581)	\$ (1,401,123)
	<u>LONG TERM DEBT</u>				
221	Bonds		\$	\$	\$
222	Reacquire Bonds				
223	Advances from Associated Companies				
224	Other Long Term Debt		3,647,063	3,667,654	3,018,011
	Total Long Term Debt		\$ 3,647,063	\$ 3,667,654	\$ 3,018,011
	<u>CURRENT AND ACCRUED LIABILITIES</u>				
231	Accounts Payable		\$ 217,068	\$ 56,938	\$ 18,927
232	Notes Payable				
233	Accounts Payable to Associated Companies				
234	Notes Payable to Associated Companies				
235	Customer Deposits				
236	Accrued Taxes				
237	Accrued Interest				24,643
238	Accrued Dividends				
239	Matured Long Term Debt				
240	Matured Interest				
241	Miscellaneous Current and Accrued Liabilities		190,057	137,112	124,728
	Total Current and Accrued Liabilities		\$ 407,125	\$ 194,050	\$ 168,298
	<u>DEFERRED CREDITS</u>				
251	Unamortized Premium on Debt		\$	\$	\$
252	Advances for Construction				
253	Other Deferred Credits		2,761,596	2,944,121	2,879,261
255	Accumulated Deferred Investment Tax Credits		4,486	4,889	5,292
	Total Deferred Credits		\$ 2,766,082	\$ 2,949,010	\$ 2,884,553
	--- CONTINUED ON NEXT PAGE ---				

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

COMPARATIVE OPERATING INCOME

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)	SECOND PREV. YEAR (f)
	UTILITY OPERATING INCOME				
	UTILITY REVENUES:				
400	Operating Revenues	F-2b	\$ 2,161,395	\$ 1,905,260	\$ 1,669,113
	UTILITY EXPENSES:				
401	Operating Expenses	F-2b	\$ 1,664,835	\$ 1,469,837	\$ 1,114,383
403	Depreciation Expenses	F-2b	147,926	143,486	129,899
406	Amortization of Utility Plant Acquisition Adjustment	F-2b	10,935	10,935	10,935
407	Amortization Expense	F-2b			
408.1	Taxes Other than Income	F-2b	205,352	167,003	169,450
409.1	Income Taxes	F-2b	(54,282)	(81,500)	63,374
410.10	Deferred Federal Income Taxes	F-2b	54,282	81,500	
411.11	Deferred State Income Taxes	F-2b			
411.10	Provision for Deferred Income Taxes - Credit	F-2b			(35,285)
412.10	Investment Tax Credits Deferred to Future Periods	F-2b			
412.11	Investment Tax Credits Restored to Operating Income	F-2b	(403)	(403)	(403)
	Total Utility Expenses	F-2b	\$ 2,028,645	\$ 1,790,858	\$ 1,452,353
	OPERATING INCOME	F-2b	\$ 132,750	\$ 114,402	\$ 216,760
413	Income from Utility Plant Leased to Others	F-2b	\$	\$	\$
414	Gains (Losses) from Disposition of Utility Property	F-2b			
	TOTAL UTILITY OPERATING INCOME	F-2b	\$ 132,750	\$ 114,402	\$ 216,760
415-426	OTHER INCOME AND DEDUCTIONS	F-2b	\$ 10,677	\$ 19,375	\$ 22,246
408-412	TAXES APPLICABLE TO OTHER INCOME	F-2b	(46,573)	(46,585)	(73,575)
427-429	INTEREST EXPENSE	F-2b	282,129	273,820	249,101
433-409	EXTRAORDINARY ITEMS	F-2b			
	NET INCOME	F-2b	\$ (92,129)	\$ (93,458)	\$ 63,480

Notes to the Income Statement:

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)	SECOND PREV. YEAR (f)
	<u>EQUITY CAPITAL</u>				
201	Common Stock Issued		\$ 3,000	\$ 3,000	\$ 3,000
204	Preferred Stock Issued				
202-205	Capital Stock Subscribed				
203,206	Capital Stock Liability for Conversion				
207	Premium on Capital Stock				
209	Reduction in Par or Stated Value of Capital Stock				
210	Gain on Resale or Cancellation of Capital Stock				
211	Other Paid-in Capital		66,623	66,623	66,623
212	Discount on Capital Stock				
213	Capital Stock Expense				
214-215	Retained Earnings		(1,656,332)	(1,564,204)	(1,470,746)
216	Reacquired Capital Stock				
218	Proprietary Capital (Proprietorship and Partnership Only)				
	Total Equity Capital		\$ (1,586,709)	\$ (1,494,581)	\$ (1,401,123)
	<u>LONG TERM DEBT</u>				
221	Bonds		\$	\$	\$
222	Reacquire Bonds				
223	Advances from Associated Companies				
224	Other Long Term Debt		3,647,063	3,667,654	3,018,011
	Total Long Term Debt		\$ 3,647,063	\$ 3,667,654	\$ 3,018,011
	<u>CURRENT AND ACCRUED LIABILITIES</u>				
231	Accounts Payable		\$ 217,068	\$ 56,938	\$ 18,927
232	Notes Payable				
233	Accounts Payable to Associated Companies				
234	Notes Payable to Associated Companies				
235	Customer Deposits				
236	Accrued Taxes				
237	Accrued Interest				24,643
238	Accrued Dividends				
239	Matured Long Term Debt				
240	Matured Interest				
241	Miscellaneous Current and Accrued Liabilities		190,057	137,112	124,728
	Total Current and Accrued Liabilities		\$ 407,125	\$ 194,050	\$ 168,298
	<u>DEFERRED CREDITS</u>				
251	Unamortized Premium on Debt		\$	\$	\$
252	Advances for Construction				
253	Other Deferred Credits		2,761,596	2,944,121	2,879,261
255	Accumulated Deferred Investment Tax Credits		4,486	4,889	5,292
	Total Deferred Credits		\$ 2,766,082	\$ 2,949,010	\$ 2,884,553
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ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONTINUED)

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)	SECOND PREV. YEAR (f)
	<i>OPERATING RESERVES</i>				
261	Property Insurance Reserve		\$ _____	\$ _____	\$ _____
262	Injuries and Damages Reserve		_____	_____	_____
263	Pensions and Benefits Reserve		_____	_____	_____
265	Miscellaneous Operating Reserves		_____	_____	_____
	Total Operating Reserves		\$ _____	\$ _____	\$ _____
	<i>CONTRIBUTIONS IN AID OF CONSTRUCTION</i>				
271	Contributions in Aid of Construction		\$ 13,739,255	\$ 12,086,860	\$ 11,010,184
272	Accumulated Amortization of Contributions in Aid of Construction		3,014,942	2,643,553	2,315,536
	Total Net C.I.A.C.		\$ 10,724,313	\$ 9,443,307	\$ 8,694,648
	<i>ACCUMULATED DEFERRED INCOME TAXES</i>				
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		\$ _____	\$ _____	\$ _____
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		_____	_____	_____
283	Accumulated Deferred Income Taxes - Other		_____	_____	_____
	Total Accumulated Deferred Income Taxes		\$ _____	\$ _____	\$ _____
	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 15,957,874	\$ 14,759,440	\$ 13,364,387

Notes to the Balance Sheet:

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

COMPARATIVE OPERATING INCOME

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)	SECOND PREV. YEAR (f)
	<i>UTILITY OPERATING INCOME</i>				
	UTILITY REVENUES:				
400	Operating Revenues	F-2b	\$ 2,161,395	\$ 1,905,260	\$ 1,669,113
	UTILITY EXPENSES:				
401	Operating Expenses	F-2b	\$ 1,664,835	\$ 1,469,837	\$ 1,114,383
403	Depreciation Expenses	F-2b	147,926	143,486	129,899
406	Amortization of Utility Plant Acquisition Adjustment	F-2b	10,935	10,935	10,935
407	Amortization Expense	F-2b			
408.1	Taxes Other than Income	F-2b	205,352	167,003	169,450
409.1	Income Taxes	F-2b	(54,282)	(81,500)	63,374
410.10	Deferred Federal Income Taxes	F-2b	54,282	81,500	
411.11	Deferred State Income Taxes	F-2b			
411.10	Provision for Deferred Income Taxes - Credit	F-2b			(35,285)
412.10	Investment Tax Credits Deferred to Future Periods	F-2b			
412.11	Investment Tax Credits Restored to Operating Income	F-2b	(403)	(403)	(403)
	Total Utility Expenses	F-2b	\$ 2,028,645	\$ 1,790,858	\$ 1,452,353
	OPERATING INCOME	F-2b	\$ 132,750	\$ 114,402	\$ 216,760
413	Income from Utility Plant Leased to Others	F-2b	\$	\$	\$
414	Gains (Losses) from Disposition of Utility Property	F-2b			
	TOTAL UTILITY OPERATING INCOME	F-2b	\$ 132,750	\$ 114,402	\$ 216,760
415-426	OTHER INCOME AND DEDUCTIONS	F-2b	\$ 10,677	\$ 19,375	\$ 22,246
408-412	TAXES APPLICABLE TO OTHER INCOME	F-2b	(46,573)	(46,585)	(73,575)
427-429	INTEREST EXPENSE	F-2b	282,129	273,820	249,101
433-409	EXTRAORDINARY ITEMS	F-2b			
	NET INCOME	F-2b	\$ (92,129)	\$ (93,458)	\$ 63,480

Notes to the Income Statement:

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

OPERATING INCOME BY SERVICE

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	WATER (e)	SEWER (f)
	UTILITY OPERATING INCOME				
	UTILITY REVENUES:				
400	Operating Revenues	F-2c	\$ 2,161,395	\$ 864,615	\$ 1,296,780
	UTILITY EXPENSES:				
401	Operating Expenses	F-2d	\$ 1,664,835	\$ 653,053	\$ 1,011,782
403	Depreciation Expenses	F-2d	147,926	45,019	102,907
406	Amortization of Utility Plant Acquisition Adjustment	F-2d	10,935	4,683	6,252
407	Amortization Expense	F-2d			
408.1	Taxes Other than Income	F-2d	205,352	79,007	126,345
409.1	Income Taxes	F-2d	(54,282)	(24,427)	(29,855)
410.10	Deferred Federal Income Taxes	F-2d	54,282	24,427	29,855
411.11	Deferred State Income Taxes	F-2d			
411.10	Provision for Deferred Income Taxes - Credit	F-2d			
412.10	Investment Tax Credits Deferred to Future Periods	F-2d			
412.11	Investment Tax Credits Restored to Operating Income	F-2d	(403)	(181)	(222)
	Total Utility Expenses		\$ 2,028,645	\$ 781,581	\$ 1,247,064
	OPERATING INCOME		\$ 132,750	\$ 83,034	\$ 49,716
413	Income from Utility Plant Leased to Others		\$	\$	\$
414	Gains (Losses) from Disposition of Utility Property				
	TOTAL UTILITY OPERATING INCOME		\$ 132,750	\$ 83,034	\$ 49,716
415-426	OTHER INCOME AND DEDUCTIONS		\$ 10,677		
408-412	TAXES APPLICABLE TO OTHER INCOME		(46,573)		
427-429	INTEREST EXPENSE		282,129		
433-409	EXTRAORDINARY ITEMS				
	NET INCOME		\$ (92,129)	\$	\$

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

OPERATING REVENUES

ACCT NO. (a)	ACCOUNT NAME (b)	WATER (c)	SEWER (d)	OTHER (e)	TOTAL COMPANY (f)
	OPERATING REVENUES:				
	Flat Rate Revenues:				
521.1	Residential	\$ _____	\$ _____	\$ _____	\$ 0
521.2	Commercial	_____	_____	_____	0
521.3	Industrial	_____	_____	_____	0
521.4	Revenues from Public Authorities	_____	_____	_____	0
521.5	Multi-family Dwellings	_____	_____	_____	0
521.6	Other	_____	_____	_____	0
	Total Flat Rate Revenues	\$ _____	\$ _____	\$ _____	\$ 0
	Metered/Measured Revenues:				
461.1,522.1	Residential	744,290	1,143,793	_____	1,888,083
461.2,522.2	Commercial	85,098	111,361	_____	196,459
461.3,522.3	Industrial/Construction	_____	_____	_____	0
461.4,522.4	Revenues from Public Authorities	_____	_____	_____	0
461.5,522.5	Multi-family Dwellings	17,026	41,626	_____	58,652
	Other	_____	_____	_____	0
	Total Metered Revenues	\$ 846,414	\$ 1,296,780	\$ _____	\$ 2,143,194
	Fire Protection Revenues:				
462.1	Public Fire Protection	_____	_____	_____	0
462.2	Private Fire Protection	_____	_____	_____	0
	Total Fire Protection Revenue	\$ _____	\$ _____	\$ _____	\$ 0
465	Revenues from Irrigation Customers	_____	_____	_____	0
474,523	Other Sales to Public Authorities	_____	_____	_____	0
466,524	Revenues from Other Systems - Resale	17,087	_____	_____	17,087
467,525	Interdepartmental Revenues	_____	_____	_____	0
	TOTAL UTILITY OPERATING REVENUE	\$ 863,501	\$ 1,296,780	\$ _____	\$ 2,160,281
	OTHER REVENUES:				
469,530	Guaranteed Revenues and AFPI Charges	_____	_____	_____	0
531	Sale of Sludge	_____	_____	_____	0
470,532	Forfeited Discounts	_____	_____	_____	0
471	Miscellaneous Service Revenues	358	_____	_____	358
472,534	Rents from Property	_____	_____	_____	0
473,535	Interdepartmental Rents	_____	_____	_____	0
474,536	Other Miscellaneous Revenues	756	_____	_____	756
	TOTAL OTHER REVENUES	\$ 1,114	\$ _____	\$ _____	\$ 1,114
	OPERATING REVENUES	\$ 864,615	\$ 1,296,780	\$ _____	\$ 2,161,395
	ADJUSTMENTS (EXPLAIN):				
	Less: Guar. Rev - below the line	_____	_____	_____	0
	_____	_____	_____	_____	0
	_____	_____	_____	_____	0
	TOTAL ADJUSTMENTS	\$ _____	\$ _____	\$ _____	0
	TOTAL OPERATING REVENUES	\$ 864,615	\$ 1,296,780	\$ _____	\$ 2,161,395

ST. JOHNS COUNTY COASTAL AIR-SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc

YEAR OF REPORT: 1998

OPERATING EXPENSES

ACCT NO. (a)	ACCOUNT NAME (b)	WATER (c)	SEWER (d)	OTHER (e)	TOTAL COMPANY (f)
	OPERATING EXPENSES:				
601,701	Salaries and Wages - Employees	\$ 291,207	\$ 282,873	\$	\$ 484,080
603,703	Salaries and Wages - Officers, Directors and Majority Stockholders				
604,704	Employee Pensions and Benefits	50,388	77,138		133,526
610	Purchased Water				
710	Purchased Sewage Treatment				
711	Sludge Removal expense		154,750		154,750
615,715	Purchased Power	82,270	82,705		164,975
616,716	Fuel for Power Purchased				
618,718	Chemicals	41,535	50,177		91,712
620,720	Materials and Supplies	134,826	165,660		300,486
631,731	Contractual Services - Engineering	553	453		1,006
632,732	Contractual Services - Accounting	5,005	4,095		9,100
633,733	Contractual Services - Legal	389	1,411		1,800
634,734	Contractual Services - Management Fees	55,000	45,000		100,000
635,735	Contractual Services - Other	10,320	8,444		18,764
641,741	Rental of Building/Real Property	20,130	16,470		36,600
642,742	Rental of Equipment	3,310	7,035		10,345
650,750	Transportation Expense	21,034	44,697		65,731
656,756	Insurance - Vehicle	2,969	6,035		9,004
657,757	Insurance - General Liability	5,938	12,070		18,008
658,758	Insurance - Workman's Compensation	3,615	8,504		12,119
659,759	Insurance - Other	387	823		1,210
660,760	Advertising Expense	213			213
	Regulatory Commission Expenses:				
660,760	Amortization of Rate Case Expense		8,009		8,009
667,767	Other				
	DEP Required Water Testing	2,788			2,788
	DEP Required Wastewater Testing		29,612		29,612
	NPDES Permit Fees				
670,770	Bad Debt Expense	1,300	2,457		3,777
675,775	Miscellaneous Expenses	3,856	3,364		7,220
	TOTAL OPERATING EXPENSES	\$ 653,053	\$ 1,011,782	\$	\$ 1,664,835

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

STATEMENT OF RETAINED EARNINGS

ACCT NO. (a)	DESCRIPTION (b)	AMOUNTS (c)
215	<u>UNAPPROPRIATED RETAINED EARNINGS:</u>	
	BALANCE BEGINNING OF YEAR	\$ (1,564,204)
439	Changes to account: Adjustments to Retained Earnings (requires Authority approval prior to use):	
	Credits:	
	Total Credits	
	Debits:	
	Total Debits	
	BALANCE TRANSFERRED FROM INCOME	(92,128)
	APPROPRIATIONS OF RETAINED EARNINGS	
	TOTAL APPROPRIATIONS OF RETAINED EARNINGS	
	DIVIDENDS DECLARED:	
	Preferred stock dividends declared	
	Common stock dividends declared	
	TOTAL DIVIDENDS DECLARED	
	BALANCE END OF YEAR	\$
	APPROPRIATED RETAINED EARNINGS (STATE BALANCE AND PURPOSE OF EACH APPROPRIATED AMOUNT AT YEAR END):	
	TOTAL APPROPRIATED RETAINED EARNINGS	
	TOTAL RETAINED EARNINGS	\$ (1,656,332)
Notes to Statement of Retained Earnings:		

ST. JOHNS COUNTY WATER AND SEWER AUTHORITY

UTILITY NAME: Intercoastal Utilities, Inc.

YEAR OF REPORT: 1998

**SCHEDULE OF YEAR END RATE BASE
AND REGULATORY RATE OF RETURN**

ACCT NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	WATER UTILITY (d)	SEWER UTILITY (e)
101	RATE BASE: Utility Plant in Service		\$ 6,462,609	\$ 10,954,239
	Less:			
	Nonused and Useful Plant (1)		88,827	
108.1	Accumulated Depreciation		1,635,149	2,768,561
110.1	Accumulated Amortization			
271	Contributions in Aid of Construction (CIAC)		5,136,489	8,602,767
	Subtotal		\$ (397,856)	\$ (417,089)
	Additions:			
272	Accumulated Amortization of Contributions in Aid of Construction (CIAC)		1,078,705	1,936,237
	Subtotal		\$ 680,849	\$ 1,519,148
	Plus or Minus:			
114	Acquisition Adjustments (2)		187,303	243,854
115	Accumulated Amortization of Acquisition Adjustments		(72,580)	(96,918)
	Working Capital Allowance (3)		81,632	126,473
	Other (Specify): <i>Prepaid CIAC</i>			
	RATE BASE		\$ 877,204	\$ 1,792,557
	UTILITY OPERATING INCOME	F ₃ ² b	83,034	49,716
	ACHIEVED RATE OF RETURN		9.47%	2.77%
	ALLOWABLE RATE OF RETURN		12.04%	12.04%
	ALLOWABLE OPERATING INCOME		105,615	215,824
	EXCESS OF OPERATING INCOME OVER ALLOWABLE OPERATING INCOME		\$ (22,581)	\$ (166,108)

Notes to Schedule of Year End Rate Base and Regulatory Return:

- (1) Estimated if not known
- (2) Include only those Acquisition Adjustments that have been approved by the Authority.
- (3) Calculated using the 1/8 of O & M Expenses
(Enter method used)

Nocatee Utility Corporation
Comparison of Rates

DOCKET NOS. 990696-WS & 992040-WS
Swain Exhibit ____ (DDS-8)

		Water Rates		Sewer Rates		Combined Water and Sewer Rates		Reuse Rates	
		Nocatee	Intercoastal	Nocatee	Intercoastal	Nocatee	Intercoastal	Nocatee	Intercoastal
Service Availability per ERC									
Plant capacity	(JEA)	140.00	234.45	1,025.00	625.50	1,165.00	859.95	240.00	
Main extension	(NU)	95.00	-	115.00	-	210.00	-	550.00	-
Total		235.00	234.45	1,140.00	625.50	1,375.00	859.95	790.00	-
Rates									
BASE FACILITY CHARGE									
5/8" X 3/4"		9.20	6.91	11.28	19.09	20.48	26.00	3.74	
3/4"		13.80		16.92		30.72		5.61	
1"		23.00	15.62	28.20	45.14	51.20	60.76	9.35	
1 1/2"		46.00	30.14	56.40	88.57	102.40	118.71	18.70	
2"		73.60	47.56	90.24	140.68	163.84	188.25	29.92	
3"		147.20		180.48		327.68		59.84	
4"		230.00		282.00		512.00		93.50	
6"		460.00		564.00		1,024.00		187.00	
8"		736.00		902.40		1,638.40		299.20	
CHARGE PER 1,000 GALLONS									
Residential		1.82	0.89	4.61 *	4.48 **	6.43	5.37	1.41	
General Service				5.53	4.48				
RESIDENTIAL BILLS									
5/8" X 3/4", gallons:									
3,000		14.66	9.58	25.11	32.53	39.77	42.11	7.97	-
5,000		18.30	11.36	34.33	41.49	52.63	52.85	10.79	-
5,333		18.91	11.66	35.87	42.98	54.77	54.63	11.26	-
10,000		27.40	15.81	57.38	63.89	84.78	79.70	17.84	-
25,000		54.70	29.16	57.38	63.89	112.08	93.05	38.99	-

Notes:

* - maximum of 10,000 gallons charged to residential customers

** - maximum of 30,000 gallons charged to residential customers per quarter