

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of)
Allowance for Funds Used During Construction)
(AFUDC) rate in Franklin County, Florida by)
Water Management Services, Inc.)

Docket No. 010856-1A15

Filed: June 15, 2001

Petition of Water Management Services, Inc. (WMSI) for Approval of an Allowance for Funds Used During Construction (AFUDC) Rate and for Authority to Charge the Rate Retroactively, Effective October, 2000

Water Management Services, Inc. (WMSI), by and through undersigned counsel, pursuant to Rule 25-30.116, Florida Administrative Code, hereby submits this Petition in connection with the construction of WMSI's replacement water transmission main project. In support of its Petition, WMSI states:

1. The name and address of the petitioner is:

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, FL 32309

2. The name address of the person authorized to receive notices and communications with respect to this Petition is:

Gene D. Brown, Esq.
3848 Killearn Court
Tallahassee, FL 32309

3. WMSI is a Class B utility which provides water service on St. George Island in Franklin County, Florida. WMSI provides water service pursuant to Florida Public service Commission Certificate No. 302W. WMSI does not provide wastewater service.

4. WMSI seeks Commission approval of an AFUDC rate so that construction work in progress (CWIP) associated with construction of WMSI's replacement transmission main project may accrue AFUDC.

5. The replacement transmission main project, consisting of a 12-inch pipeline, a pipeline from Well No. 1 to Well No. 4, a new aerator, high service pump and controls, was determined prudent in Order No. PSC-00-2227-PAA-WU, issued November 21, 2000. This project involves gross additions to plant exceeding \$5,000 and will take longer than 60 days to complete. It is an eligible project, as defined in Rule 25-30.116(1)(a), Florida Administrative Code.

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6. WMSI began accruing expenses for this project, in the form of legal fees, in April, 1999. The first expenses associated with engineering and construction began accruing in October, 2000. The initial expenditures are financed through cash draws from Citizens Bank of Perry at the rate of 10.5%, as reflected in Order No. PSC-00-2227-PAA-WU.

7. WMSI has obtained approval for a loan from the Florida Department of Environmental Protection State Revolving Fund for Drinking Water Facilities. The amount of the loan requirement will be between \$5 and \$6 million, at an anticipated rate of 3.50%. The first draw on this loan will occur sometime in the third quarter of 2001.

8. WMSI does not now have an AFUDC rate in effect. In accordance with Rule 25-30.116(5), Florida Administrative Code, WMSI requests authority to apply the AFUDC rate retroactively to October, 2000, based on its historic cost of capital.

9. WMSI also requests authority to apply the AFUDC rate prospectively, beginning in October, 2001, based on its pro-forma cost of capital.

10. Attached hereto, as Schedule A is a schedule showing the capital structure, cost rates and weighted average cost of capital that are the basis for the AFUDC rates, historic and prospective.

11. Attached hereto, as Schedule B, is a schedule showing capital structure adjustments including the unadjusted capital structure, reconciling adjustments and adjusted capital structure that are the basis for the AFUDC rates, historic and prospective.

12. Attached hereto, as Schedule C is a schedule showing the calculation of the monthly AFUDC rates using the methodology set out in Rule 25-30.116(3), Florida Administrative Code.

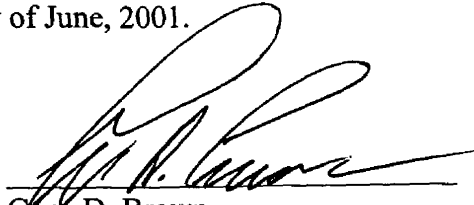
13. Based on the methodology in Rule 25-30.116(3), Florida Administrative Code, WMSI is requesting Commission approval of a historic AFUDC rate of 10.66 % per year, with a discounted monthly AFUDC rate of 0.848030 %, and a pro-forma AFUDC rate of 5.01 % per year, with a discounted monthly AFUDC rate of 0.408292 %. WMSI's proposed AFUDC rates are based on the adjusted, historic twelve month period ended December 31, 2000.

WHEREFORE, WMSI requests that the Commission:

- a. Approve a historic AFUDC rate of 10.66 % per year, with a discounted monthly AFUDC rate of 0.848030 %, to be retroactively applied beginning in October, 2000; and
- b. Approve a prospective AFUDC rate of 5.01 % per year, with a discounted monthly AFUDC rate of 0.408292 %, to be prospectively applied beginning in September, 2001; and

c. Grant such other relief as the Commission deems appropriate.

Respectfully submitted, this 15th day of June, 2001.

A handwritten signature in black ink, appearing to read "Gene D. Brown", written over a horizontal line.

Gene D. Brown
Florida Bar No. 096262
3848 Killlearn Court
Tallahassee, FL 32309
(850) 668-0441

Attorney for Water Management Services, Inc.

WATER MANAGEMENT SERVICES, INC.
PETITION FOR AFUDC RATE

SCHEDULE "A"
CAPITAL STRUCTURE, COST RATES and WEIGHTED AVERAGE COST

CAPITAL COMPONENTS - BALANCES - 12 MONTHS ENDED 12/31/00 - UNADJUSTED

	December	January	February	March	April	May	June	July	August	September	October	November	December
Debt													
Wachovia - GMC	18,556.02	18,067.29	17,575.33	17,080.13	16,581.68	16,079.94	15,574.90	15,066.53	14,554.82	14,039.74	13,521.27	0.00	0.00
Wachovia - 01 GMC Yukon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,000.00	30,000.00
Gulf State Bank - GMC	16,523.63	16,131.63	16,131.63	15,338.88	14,938.10	14,534.34	14,127.59	13,352.01	27,111.65	26,740.88	0.00	0.00	0.00
Gulf State Bank - 00 GMC Sierra	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26,885.03	26,509.35	26,124.24
Gulf State Bank - 99 F250 Ford	25,895.88	25,509.50	24,924.17	23,753.51	24,319.01	23,914.24	23,512.19	23,101.44	22,282.15	22,282.15	21,861.87	21,444.30	21,018.43
Gulf State Bank - Water Well	0.00	0.00	0.00	0.00	0.00	0.00	43,645.90	43,645.90	100,298.20	0.00	0.00	0.00	0.00
Gulf State Bank - Equip. Loan	64,358.12	62,873.91	61,383.76	59,841.33	58,323.37	56,775.17	55,227.71	53,651.89	52,077.79	0.00	0.00	0.00	0.00
National Loan Investors	48,774.01	48,536.13	48,536.13	48,536.13	47,731.84	47,524.16	47,424.14	47,198.33	46,946.68	0.00	0.00	0.00	0.00
Transamerica SBC	1,280,038.60	1,275,046.15	1,275,046.15	1,275,046.15	1,274,639.41	1,268,774.16	1,268,774.16	1,268,774.16	1,268,774.16	1,259,342.51	0.00	0.00	0.00
Citizens Bank of Perry	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	421,820.26	1,769,426.70	1,857,247.80	1,886,623.80
Gulf State Bank - Bldg Mort [refinanced by FMB]	77,048.57	76,870.33	76,870.33	76,492.20	76,492.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gulf State Bank - Working Capital	2,624.85	2,624.85	2,624.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gulf State Bank - Working Capital	25,138.20	25,138.20	25,138.20	0.00	0.00	20,120.70	0.00	0.00	0.00	20,127.70	20,000.00	20,000.00	20,120.70
FMB - Working Capital	0.00	0.00	0.00	5,067.85	5,067.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Debt Cost	1,558,957.88	1,550,797.99	1,548,230.55	1,521,156.18	1,629,843.46	1,559,472.71	1,579,919.82	1,576,276.03	1,643,176.40	1,875,214.72	1,962,196.91	2,065,458.14	2,093,796.76
Customer Deposits	16,370.13	17,210.13	17,770.13	18,190.13	19,655.13	19,270.13	20,755.41	20,945.41	21,221.19	23,341.19	23,831.19	24,171.19	23,881.19

COST OF CAPITAL - 12 MONTHS ENDED 12/31/00 - UNADJUSTED

	Average Balance	Average Rate		Interest Expense
Debt				
Wachovia - GMC	13,592.13	7.90%	Fixed	1,073.78
Wachovia - 01 GMC Yukon	4,615.38	8.50%	Fixed	392.31
Gulf State Bank - GMC	13,456.18	8.90%	Fixed	1,197.60
Gulf State Bank - 00 GMC Sierra	6,116.82	8.90%	Fixed	544.40
Gulf State Bank - 99 F250 Ford	23,370.68	8.90%	Fixed	2,079.99
Gulf State Bank - Water Well	14,430.00	10.50%	Fixed	1,515.15
Gulf State Bank - Equip. Loan	40,347.16	9.75%	Fixed	3,933.85
National Loan Investors	33,169.81	12.00%	Fixed	3,980.38
Transamerica SBC	978,019.66	10.79%	Variable	105,502.26
Citizens Bank of Perry	456,547.58	10.50%	Fixed	47,937.50
Gulf State Bank - Bldg Mort [refinanced by FMB]	29,521.05	9.27%	Variable	2,735.56
Gulf State Bank - Working Capital	76,867.67	9.41%	Variable	7,230.55
Gulf State Bank - Working Capital	605.73	9.75%	Fixed	59.06
Gulf State Bank - Working Capital	13,521.82	11.47%	Variable	1,551.49
FMB - Working Capital	779.67	10.00%	Fixed	77.97
Totals	1,704,961.35	10.55%	Average	179,811.83
Customer Deposits	20,508.66	8.00%	Fixed	1,640.69

WEIGHTED COST OF CAPITAL

12 MONTHS ENDED 12/31/00 - UNADJUSTED

Component	Average Balance	Ratio	Cost	Weighted Cost
Debt	1,704,961.35	98.81%	10.55%	10.42%
Customer Deposits	20,508.66	1.19%	8.00%	0.10%
Totals	1,725,470.01	100.00%		10.52%

NOTE: WMSI has a negative equity balance. Equity is set at zero.

WATER MANAGEMENT SERVICES, INC
PETITION FOR AFUDC RATE

SCHEDULE "B"
CAPITAL STRUCTURE ADJUSTMENTS, RECONCILING ADJUSTMENTS and ADJUSTED CAPITAL STRUCTURE

I. ADJUSTED HISTORICAL COST OF CAPITAL

NOTE: For purposes of calculating the AFUDC rate on a historic basis, the cost of capital is adjusted to reflect only those portions which will be available for funding construction of the transmission main replacement project. Loans related to vehicles and specific projects have been removed.

COST OF CAPITAL COMPONENTS

	Average Balance	Adjustment	Adjusted Average Balance	Average Rate		Interest Expense
Debt						
Wachovia - GMC	13,592.13	(13,592.13)	0.00	7.90%	Fixed	0.00
Wachovia - 01 GMC Yukon	4,615.38	(4,615.38)	0.00	8.50%	Fixed	0.00
Gulf State Bank - GMC	13,456.18	(13,456.18)	0.00	8.90%	Fixed	0.00
Gulf State Bank - 00 GMC Sierra	6,116.82	(6,116.82)	0.00	8.90%	Fixed	0.00
Gulf State Bank - 99 F250 Ford	23,370.68	(23,370.68)	0.00	8.90%	Fixed	0.00
Gulf State Bank - Water Well	14,430.00	(14,430.00)	0.00	10.50%	Fixed	0.00
Gulf State Bank - Equip Loan	40,347.16	(40,347.16)	0.00	9.75%	Fixed	0.00
National Loan Investors	33,169.81	(33,169.81)	0.00	12.00%	Fixed	0.00
Transamerica SBC	978,019.66	0.00	978,019.66	10.79%	Variable	105,502.26
Citizens Bank of Perry	456,547.58	0.00	456,547.58	10.50%	Fixed	47,937.50
Gulf State Bank - Bldg Mort	29,521.05	(29,521.05)	0.00	9.27%	Variable	0.00
[refinanced by FMB]	76,867.67	(76,867.67)	0.00	9.41%	Variable	0.00
Gulf State Bank - Working Capital	605.73	0.00	605.73	9.75%	Fixed	59.06
Gulf State Bank - Working Capital	13,521.82	0.00	13,521.82	11.47%	Variable	1,551.49
FMB - Working Capital	779.67	0.00	779.67	10.00%	Fixed	77.97
Totals	1,704,961.35	(255,486.88)	1,449,474.47	10.70%	Average	155,128.27
Customer Deposits	20,508.66	0.00	20,508.66	8.00%	Fixed	1,640.69

WEIGHTED COST OF CAPITAL

Component	Average Balance	Ratio	Cost	Weighted Cost
Debt	1,449,474.47	98.60%	10.70%	10.55%
Customer Deposits	20,508.66	1.40%	8.00%	0.11%
Totals	1,469,983.13	100.00%		10.66%

NOTE WMSI has a negative equity balance. Equity is set at zero.

I. PROSPECTIVE (PROFORMA) COST OF CAPITAL

NOTE: For purposes of calculating the AFUDC rate on a prospective basis, the cost of capital is adjusted to reflect only those portions which will be available for funding construction of the transmission main replacement project, after the State Revolving Fund proceeds become available in 3rd Qtr 2001.

COST OF CAPITAL COMPONENTS

	Average Balance	Adjustment	Adjusted Average Balance	Average Rate		Interest Expense
Debt						
Wachovia - GMC	13,592.13	(13,592.13)	0.00	7.90%	Fixed	0.00
Wachovia - 01 GMC Yukon	4,615.38	(4,615.38)	0.00	8.50%	Fixed	0.00
Gulf State Bank - GMC	13,456.18	(13,456.18)	0.00	8.90%	Fixed	0.00
Gulf State Bank - 00 GMC Sierra	6,116.82	(6,116.82)	0.00	8.90%	Fixed	0.00
Gulf State Bank - 99 F250 Ford	23,370.68	(23,370.68)	0.00	8.90%	Fixed	0.00
Gulf State Bank - Water Well	14,430.00	(14,430.00)	0.00	10.50%	Fixed	0.00
Gulf State Bank - Equip Loan	40,347.16	(40,347.16)	0.00	9.75%	Fixed	0.00
National Loan Investors	33,169.81	(33,169.81)	0.00	12.00%	Fixed	0.00
Transamerica SBC	978,019.66	0.00	978,019.66	10.79%	Variable	105,502.26
Citizens Bank of Perry	456,547.58	0.00	456,547.58	10.50%	Fixed	47,937.50
State Revolving Fund Loan	0.00	5,500,000.00	5,500,000.00	3.50%	Fixed	192,500.00
Gulf State Bank - Bldg Mort	29,521.05	(29,521.05)	0.00	9.27%	Variable	0.00
[refinanced by FMB]	76,867.67	(76,867.67)	0.00	9.41%	Variable	0.00
Gulf State Bank - Working Capital	605.73	0.00	605.73	9.75%	Fixed	59.06
Gulf State Bank - Working Capital	13,521.82	0.00	13,521.82	11.47%	Variable	1,551.49
FMB - Working Capital	779.67	0.00	779.67	10.00%	Fixed	77.97
Totals	1,704,961.35	5,244,513.12	6,949,474.47	5.00%	Average	347,628.27
Customer Deposits	20,508.66	0.00	20,508.66	8.00%	Fixed	1,640.69

WEIGHTED COST OF CAPITAL

Component	Average Balance	Ratio	Cost	Weighted Cost
Debt	6,949,474.47	99.71%	5.00%	4.99%
Customer Deposits	20,508.66	0.29%	8.00%	0.02%
Totals	6,969,983.13	100.00%		5.01%

NOTE WMSI has a negative equity balance. Equity is set at zero.

WATER MANAGEMENT SERVICES, INC.
PETITION FOR AFUDC RATE

SCHEDULE "C"
CALCULATION OF DISCOUNTED MONTHLY AFUDC RATE

I. BASED ON HISTORIC AFUDC RATE

$$M = [(1 + A/100)^{1/12} - 1] \times 100$$

where: A = annual AFUDC rate = 10.66 %

M = Monthly Discount Rate 0.848030 %

II. BASED ON PROSPECTIVE (PROFORMA) AFUDC RATE

$$M = [(1 + A/100)^{1/12} - 1] \times 100$$

where: A = annual AFUDC rate = 5.01 %

M = Monthly Discount Rate 0.408292 %