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August 9, 2002

Ms. Blanca Bayo, Director
Division of Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Room 110
Tallahassee, Florida 32399-0850

Re: Staff Data Request dated July 5, 2002, to Hudson Utilities, Inc., Docket Nos. 020253-SU and 020254-SU

Dear Ms. Gervasi:

Enclosed herewith for filing in the above-referenced dockets on behalf of Hudson Utilities, Inc. ("Hudson") are the original and five copies of Hudson's response to the Staff Data Request dated July 5, 2002.

Data Request #1 - When did Hudson Utilities, Inc. (Hudson or utility) first begin seeking financing for the necessary facilities to serve the additional territory approved in Docket No. 981079-SU? Please provide documentation.

Response:

In the fall of 1998 Hudson was first approached regarding the possibility of it serving the Signal Cove Subdivision by its homeowners association. This area is adjacent to the southern border of Hudson's existing franchise. Pasco County's unwillingness in the past to complete the construction of the sewer system it had started as well as the County's dramatically higher construction cost to the customers made Hudson the logical and only real option for this area to receive sewer service. During the fall of 1998, Hudson was in the midst of its 1997-1999 construction program and the financing of future construction was discussed orally with Hudson's existing lender, Republic Bank through Hudson's mortgage banker WRH Mortgage, Inc. At that time the lender was favorable towards additional future financing assuming that the financial condition of the Utility was adequate to support this additional debt service. A final evaluation

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regarding the financing could not be made until the Utility's then ongoing construction program was completed. No other written documentation exists that responds to this data request.

Data Request #2 - When did the utility first realize that its existing system capacity charge was insufficient to secure financing? Please provide documentation.

Response:

On or around August 2001, the feasibility of future construction and the overall financial condition of the Utility was evaluated by the Utility and its accountants and it was determined that the Utility was grossly under-contributed for current construction costs for these additional areas. The analysis also indicated that the Utility overall was contributed at approximately 37 percent which was deemed insufficient to secure further financing for construction of these and other additional areas. The Utility therefore instructed its accountants to initiate a Service Availability Charge rate case. This rate filing and Hudson's 2001 annual report substantiate the above determinations. No other written documentation exists that responds to this data request.

Data Request #3 - With regard to each of Hudson's notes payable, please state the date of issuance, the date of maturity, the original principal balance, and the remaining principal balance as of this date.

Response:

Hudson's two existing construction notes are the Senior Note and the Subordinate Note, both were originally issued May 7, 1997 and expired April 30, 2002. Both notes were extended to July 31, 2002 and another extension is currently being processed to enable Hudson time to complete its current Service Availability Charge rate case and secure new long term financing. The Senior Note's original balance was \$4,500,000 and the remaining balance as of August 8, 2002 is \$3,834,330. The Subordinate note's original and remaining balance is \$600,000.

Data Request #4 - For each notes payable, please state the annual interest rate, and whether the rate is fixed or variable. In addition, please indicate how the rate for each debt was determined.

Response:

The Senior Note is a variable rate set at prime plus (1.75%) with a floor of 10.25%. The Subordinate Note is set at a fixed rate of 13.5%.

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Data Request #5 - For each notes payable, please state which ones, if any, are transactions with related parties and state the nature of the affiliation.

Response:

None.

Data Request #6 - For each notes payable which is with related parties, was there any initial attempt to seek financing with a non-related party? If not, why not? Please provide documentation.

Response:

Not applicable.

Sincerely,



Martin P. McDonnell

MPM/rl

cc: Ms. Stephanie Clapp
Mr. Jay Revell
Mr. Stephen Fletcher
Stephen M. Presnell, Esq.

Hudson\dataresponse