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031006-WS

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REPLY TO ALTAMONTE SPRINGS

October 27, 2003

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(LICENSED IN TEXAS ONLY)

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Ms. Blanca Bayo
Commission Clerk and Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

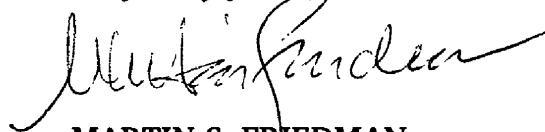
Re: Docket No. _____; Utilities, Inc. Petition on behalf of Florida Subsidiaries
and Water Service Corp. for Establishment of an Approved AFUDC Rate
Our File No.: 30057.03

Dear Ms. Bayo:

Enclosed please find for filing in the above-referenced docket the original and
fifteen (15) copies of Utilities, Inc.'s Petition on behalf of Florida Subsidiaries and
Water Service Corp., for Establishment of an Approved AFUDC Rate.

Should you have any questions regarding this matter, please do not hesitate to
give me a call.

Very truly yours,

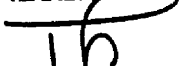


MARTIN S. FRIEDMAN
For the Firm

MSF/dmp
Enclosure

cc: Mr. Steven M. Lubertozi (w/enclosure)
Mr. Patrick C, Flynn (w/enclosure)
David L. Orr, P.E. (W/enclosure)

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10560 OCT 27 03

FPSC-CENTRAL FLORIDA OFFICE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by UTILITIES, INC.
for establishment of an approved
AFUDC rate for its Florida subsidiaries,
including Water Service Corp.

Docket No. 031006-WS

PETITION FOR ESTABLISHMENT OF AN APPROVED AFUDC RATE

UTILITIES, INC. (*Applicant*), for and on behalf of its Florida subsidiaries, and Water Service Corp., by and through its undersigned attorneys, pursuant to Chapter 367, Florida Statutes, and Rule 25-30.116, Florida Administrative Code, requests the Florida Public Service Commission (*Commission*) to establish an approved allowance for funds used during construction (*AFUDC*) rate, and in support states:

INFORMATION PROVIDED IN ACCORDANCE WITH RULE 25-22.036(7)

1. The name and address of the Applicant is:

Utilities, Inc.
2335 Sanders Road
Northbrook, IL 60062

with a copy to its subsidiaries' corporate offices in Florida:

Utilities, Inc.
C/o Utilities, Inc. of Florida
200 Weathersfield Avenue
Altamonte Springs, Florida 32714

2. The name and address of the Applicant's representative authorized to receive notices and communications with respect to the Application is:

DOCUMENT NUMBER DATE
10560 OCT 27 8
FPSC-COMMISSION CLERK

Martin S. Friedman, Esq.
Rose Sundstrom & Bentley, LLP
600 South North Lake Boulevard, Suite 160
Altamonte Springs, Florida 32701
Telephone: (407) 830-6331
Facsimile: (407) 830-8522
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FACTS

1. The Applicant is the sole shareholder of a number of water and wastewater utilities (as defined by Section 367.021(12), Florida Statutes), that are currently certificated to provide water and wastewater service in the State of Florida (*Utilities*). Water Service Corp. is also a wholly-owned subsidiary of the Applicant. It was organized to provide necessary administrative and financial services to the Utilities, and has been performing such services for the Utilities. Neither Water Service Corp. nor the Utilities are exempt from regulation by the Commission pursuant to Section 367.022, Florida Statutes. Water Service Corp. and the Utilities may implement an approved AFUDC change only with the approval of the Commission under the criteria established in Rule 25-30.116, Florida Administrative Code.
2. Most of the Utilities have had an AFUDC rate established in a prior proceeding before the Commission. Water Service Corp. has never had an AFUDC rate established before the Commission. On behalf of Water Service Corp. and the Utilities, the Applicant now seeks approval for such a rate change effective January 1, 2002.
3. The calculation of the appropriate new AFUDC rate is set out in the attached supporting Schedules.
4. This calculation is in accordance with the requirements of Rule 25-30.116, Florida Administrative Code.

5. Approval of such rate is necessary in order for Water Service Corp. and the Utilities to accurately accrue and recover its costs of providing service.

SCHEDULES ATTACHED

1. **Schedule A** shows the capital structure, cost rates and weighted average costs of capital that form the basis for the AFUDC rate calculated in accordance with the provisions of Rule 25-30.116(2), Florida Administrative Code.

2. **Schedule B** shows the capital structure adjustments and adjusted capital structure that form the basis for the AFUDC rate calculated in accordance with the provisions of Section 25-30.116(2), Florida Administrative Code.

3. **Schedule C** shows the calculation of the methodology set out in Rule 25-30.116, Florida Administrative Code.

REQUESTED ACTIONS

On behalf of Water Service Corp. and the Utilities, the Applicant requests the Commission to:

1. Consider the information provided in this Petition and approve the Petition and the new AFUDC rate shown in Schedule A.
2. Order the date of the new AFUDC rate be effective for January 1, 2002.
3. Grant such other relief to Water Service Corp. and the Utilities as is just and reasonable.

Respectfully submitted on this
24 day of October, 2003 by:

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BY: 

Martin S. Friedman
For the Firm

SCHEDULE A

All Florida Companies
 12 Month Average Capital Structure
 A: 12/31/02

	January	February	March	April	May	June	July	August	September	October	November	December	12-Month Average
Common Equity	76,755,728	77,121,838	86,122,185	86,670,043	87,130,830	88,343,173	89,290,407	90,013,729	90,688,297	89,695,479	90,813,022	77,650,144	85,857,906
Long-term Debt	70,344,539	70,343,447	70,342,347	69,341,237	69,340,120	69,338,992	69,337,857	119,336,712	119,335,559	119,334,396	117,835,720	117,834,538	90,172,122
Customer Dep	678,945	682,522	685,158	680,618	671,812	679,617	675,883	687,583	697,551	699,500	690,318	698,196	685,641
Deferred Taxes													
1901011	(145,736)	(145,736)	(145,736)	(145,716)	(145,736)	(145,736)	(145,736)	(145,736)	(145,736)	(145,736)	(145,736)	(128,670)	(144,314)
1901012	(427,438)	(427,438)	(427,438)	(427,438)	(427,438)	(427,438)	(427,438)	(427,438)	(427,438)	(427,438)	(427,438)	(418,889)	(426,726)
1901020	192,563	192,563	192,563	192,563	192,563	192,563	192,563	192,563	192,563	192,563	192,563	192,563	192,563
1901021	89,455	89,455	89,455	89,455	89,455	89,455	89,455	89,455	89,455	89,455	89,455	89,455	89,455
1901024	276,408	276,408	276,408	276,408	276,408	276,408	276,408	276,408	276,408	276,408	276,408	276,408	276,408
1901031	2,195,052	2,195,052	2,195,052	2,195,052	2,195,052	2,195,052	2,195,052	2,195,052	2,195,052	2,195,052	2,195,052	2,006,185	2,179,313
1902011	(32,936)	(32,936)	(32,936)	(32,936)	(32,936)	(32,936)	(32,936)	(32,936)	(32,936)	(32,936)	(32,936)	(30,111)	(32,701)
1902012	(72,901)	(72,901)	(72,901)	(72,901)	(72,901)	(72,901)	(72,901)	(72,901)	(72,901)	(72,901)	(72,901)	(71,444)	(72,780)
1902020	32,967	32,967	32,967	32,967	32,967	32,967	32,967	32,967	32,967	32,967	32,967	32,967	32,967
1902021	15,364	15,364	15,364	15,364	15,364	15,364	15,364	15,364	15,364	15,364	15,364	15,364	15,364
													<u>2,109,551</u>

All Florida Companies

Leverage Calculation

A: 12/31/02

$$\begin{aligned} \text{Return on Common Equity} &= 8.16\% + 1.518 / \text{Equity Ratio} \\ &= 8.16\% + 1.518 / 48.01\% \\ &= 8.16\% + 3.1617 \\ &= 11.32\% \end{aligned}$$

Note 1: Source of formula was derived from Docket NO. 03006-WS order NO. PSC-03-0707-PAA-WS

SCHEDULE B

All Florida Companies
Cost of Capital
A: 12/31/02

<u>Capital Structure</u>	<u>12-Month Average 12/31/02</u>	<u>Percent Ratio</u>	<u>Cost of Each Percent</u>	<u>Weighted Cost</u>
(1) Common Equity	85,857,906	48.01%	11.322%	5.44%
(1) Long-Term Debt	90,172,122	50.42%	7.824%	3.95%
(2) Customer Deposits	685,641	0.38%	6.00%	0.02%
(2) Deferred Income Taxes	<u>2,109,551</u>	<u>1.18%</u>	0.00%	<u>0.00%</u>
Total	178,825,220	100.00%		9.40%

- (1) The Common Equity and Long-Term Debt amounts used in this calculation are derived from the common equity and long-term debt of Utilities, Inc.
- (2) The Customer Deposits and Deferred Income Taxes amounts used in this calculation are derived specifically from the customer deposits and deferred income taxes of all Florida Companies
- (3) Cost Rate of long term debt was derived from the August 21, 2003 audit report from Docket NO. 020567-WU

SCHEDULE C

All Florida Companies

Monthly AFUDC Rate

A: 12/31/02

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

Where:

M = discounted monthly AFUDC rate

A = annual AFUDC rate

$$M = [(1 + 0.094)^{1/12} - 1] * 100$$

$$= 0.0075176 * 100$$

$$= \boxed{0.7517612}$$