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August 9, 2000

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

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09 AUG 10 PM 4:11
RECORDS AND REPORTING

Re: DOCKET NO. 991666-WU

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Water Services are:

1. The original and fifteen copies of James A. Perry's testimony; and 09700-00 ✓
2. The original and fifteen copies of Charles L. Sweat's testimony 09701-00

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

J. Stephen Menton
J. Stephen Menton

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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. 991666-WU

DOCUMENT NUMBER-DATE
09700 AUG 10 8
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

1 1982; and Staff Auditor for Cherry, Beckart &
2 Holland from January 1979 through March 1981.

3 Q. WHAT ARE YOUR PRESENT DUTIES AS VICE PRESIDENT -
4 CHIEF FINANCIAL OFFICER/TREASURER FOR FLORIDA
5 WATER?

6 A. I am responsible for accounting, financial
7 reporting, budgeting, strategic planning, treasury
8 and information systems.

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
10 PROCEEDING?

11 A. To support Florida Water's amendment application
12 and specifically, to testify that Florida Water has
13 the financial ability to provide service in the
14 territory requested. I have attached to my
15 testimony as Exhibit (___) JAP-1, a copy of Florida
16 Water's audited balance sheet and income statement
17 for year-end 1999. These audited financials verify
18 Florida Water's financial strength and soundness.

19 Q. WAS EXHIBIT (___) JAP-1 PREPARED BY YOU OR AT YOUR
20 DIRECTION AND CONTROL?

1 A. Yes. The financial statements were prepared my
2 direction and under my control.

3 Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

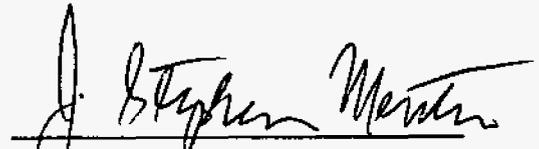
4 A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing testimony has been furnished by U.S. Mail this 10 day of August, 2000 to:

Patricia Christensen
Florida Public Service Commission
2540 Shumard Oak Blvd.
Room 370
Tallahassee, FL 32399-0850

Suzanne Brownless
1311-B Paul Russell Road
Suite 201
Tallahassee, FL 32301


J. Stephen Menton

Florida Water Services Corporation
 (A wholly owned subsidiary of MP Water Resources Group, Inc.)
Balance Sheets
December 31, 1999 and 1998

	1999	1998
Assets		
Utility plant:		
Utility plant in service	\$ 518,038,751	\$ 388,437,349
Plant held for future use	907,331	913,325
Construction work-in-process	<u>16,475,109</u>	<u>9,622,395</u>
	535,421,191	398,973,069
Less - Accumulated depreciation and amortization	(164,086,599)	(116,569,730)
Acquisition adjustment, net of accumulated amortization of \$242,000 in 1999 and \$255,000 in 1998	<u>1,734,464</u>	<u>(130,075)</u>
Net utility plant	<u>373,069,056</u>	<u>282,273,264</u>
Other investments:		
Land held for sale	322,436	750,017
Notes receivable	1,540,146	1,190,305
Bonds and other	<u>969,582</u>	<u>656,824</u>
Total other investments	<u>2,832,164</u>	<u>2,597,146</u>
Current assets:		
Cash and cash equivalents	12,346,901	11,879,881
Accounts receivable, less allowance for doubtful accounts of \$643,000 in 1999 and \$394,000 in 1998	3,597,605	3,103,761
Accrued unbilled revenue	6,560,485	4,933,388
Income taxes receivable	-	315,889
Other receivables	4,296,744	254,800
Inventories	202,620	246,404
Prepaid expenses and other assets	<u>307,466</u>	<u>1,052,540</u>
Total current assets	<u>27,311,821</u>	<u>21,786,663</u>
Other assets and deferred charges:		
Restricted funds held by trustee	1,707,596	2,060,300
Unamortized debt issue costs	6,983,379	7,281,840
Extraordinary abandonment	2,623,219	938,766
Income taxes recoverable through rates	1,757,600	1,712,657
Regulatory asset	8,339,228	2,409,242
Preliminary survey and investigation	1,854,112	1,518,084
Deferred rate case expenses	1,409,086	2,123,631
Other deferred charges	<u>5,373,177</u>	<u>4,207,318</u>
Total other assets and deferred charges	<u>30,047,397</u>	<u>22,251,838</u>
	<u>\$ 433,260,438</u>	<u>\$ 328,908,911</u>

The accompanying notes are an integral part of these financial statements.

	1999	1998
Capitalization and Liabilities		
Capitalization:		
Common stock, \$250 par value; 500 shares authorized; 430 shares issued and outstanding in 1999 and 1998	\$ 107,500	\$ 107,500
Additional paid-in capital	93,941,607	76,354,870
Retained earnings	<u>11,074,557</u>	<u>9,757,353</u>
Total stockholder's equity	<u>105,123,664</u>	<u>86,219,723</u>
Long-term debt	<u>114,459,209</u>	<u>117,775,721</u>
Total capitalization	<u>219,582,873</u>	<u>203,995,444</u>
Current liabilities:		
Accounts payable	3,143,651	5,092,908
Current portion of long-term debt	10,040,838	246,862
Accounts payable (receivable) - affiliates	(6,980,258)	3,478,760
Customer deposits	2,554,584	1,847,376
Accrued taxes payable other than income taxes	2,754,625	2,470,583
Accrued interest	2,710,830	2,605,183
Other current liabilities	<u>7,969,702</u>	<u>1,760,183</u>
Total current liabilities	<u>22,193,972</u>	<u>17,501,855</u>
Commitments and contingencies (Notes 2 and 11)		
Deferred credits and other liabilities:		
Advances for construction from affiliates	8,674,609	8,427,012
Advances for construction	858,086	-
Other deferred credits	8,227,582	3,461,106
Income taxes refundable through rates	1,144,432	1,242,679
Contributions-in-aid-of-construction, less accumulated amortization of \$67,693,000 in 1999 and \$38,199,000 in 1998	159,597,938	86,543,329
Deferred income taxes	11,518,494	6,205,653
Deferred investment tax credits	<u>1,462,452</u>	<u>1,531,833</u>
Total deferred credits and other liabilities	<u>191,483,593</u>	<u>107,411,612</u>
	<u>\$ 433,260,438</u>	<u>\$ 328,908,911</u>

The accompanying notes are an integral part of these financial statements.

Florida Water Services Corporation
 (A wholly owned subsidiary of **FWG Water Resources Group, Inc.**)
Statements of Operations
For the Years Ended December 31, 1999 and 1998

EXHIBIT ()
 JAP 1
 Page 3 of 3

	1999	1998
Operating revenues:		
Water	\$ 51,833,609	\$ 40,959,097
Wastewater	34,886,129	28,985,462
Other	991,249	714,650
	<u>87,710,987</u>	<u>70,659,209</u>
Operating expenses:		
Water operations and maintenance	17,311,970	13,836,768
Wastewater operations and maintenance	12,353,743	10,966,173
Customer accounts	2,807,334	2,679,073
Administrative and general	9,717,062	8,879,234
Taxes other than income taxes	9,022,826	7,728,928
Depreciation and amortization	11,239,208	9,793,957
Income tax expense - utility income	5,969,013	2,869,236
	<u>68,421,156</u>	<u>56,753,369</u>
Total operating expenses	<u>68,421,156</u>	<u>56,753,369</u>
Total net operating income	<u>19,289,831</u>	<u>13,905,840</u>
Other income (deductions):		
Interest income	1,438,826	2,706,929
AFUDC	729,855	552,139
AFPI	1,266,101	1,249,914
Gain on disposal of assets	433,614	369,514
Interest expense	(9,433,619)	(9,285,170)
Other non-operating expenses, net	(2,370,135)	(1,902,885)
Income tax expense - non utility	(537,269)	(1,480,146)
	<u>(8,472,627)</u>	<u>(7,789,705)</u>
Total net other deductions	<u>(8,472,627)</u>	<u>(7,789,705)</u>
Net income	<u>\$ 10,817,204</u>	<u>\$ 6,116,135</u>

The accompanying notes are an integral part of these financial statements.