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March 28, 1997

Via Facsimile (904) 413-6687

Ms. Patricia Brady  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Betty Easley Building, Room 110  
Tallahassee, Florida 32399-0850

RE: Joint Application by Clay Utility Company and South Broward Utility, Inc. (hereinafter collectively called "Applicants"), for Transfer of Water Certificate No. 359-W, Wastewater Certificate No. 290-S, and Utility Facilities from South Broward Utility, Inc., to Clay Utility Company, Docket No. 960695-WS

Dear Ms. Brady:

In connection with the above-referenced matter, you requested additional information explaining: (1) the timing requirements of the transfer; and (2) the determination of the purchase price.

The responses of the Applicants to your two requests for information is as follows:

1. Timing Requirement for Transaction. The timing of the transaction was primarily tax driven. South Broward Utility, Inc. was a Subchapter S corporation owned by Hugh F. Culverhouse. Because of South Broward Utility, Inc.'s Subchapter S corporation status, the Culverhouse Trust was faced with substantial negative tax consequences unless it took action with respect to South Broward Utility, Inc., within two years of Mr. Culverhouse's death. Therefore, it was necessary to complete the transfer from South Broward Utility, Inc., to Clay Utility Company, a Subchapter C corporation, prior to August 25, 1996.

In addition, the Culverhouse Trust also needed to reinvest the proceeds of the condemnation of Clay Utility Company prior to December 31, 1996. The purchase by Clay Utility Company in 1996 enabled the Culverhouse Trust to satisfy this deadline and avoid the substantial negative tax consequences of failing to reinvest the condemnation proceeds in like-kind property.

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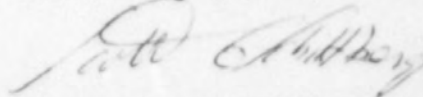
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2. Determination of the Purchase Price. The Culverhouse Trust employed an independent consultant to estimate the fair market value of the utility assets of South Broward Utility, Inc. The consultant employed several methods of valuation and provided the Culverhouse Trust with a comparison of the results of the several methods. The Culverhouse Trust determined the fair market value of the assets that in its judgment best represented the actual fair market value that would be determined in an arms length transaction. The fair market value determined was within the range of valuations estimated by the consultant.

With respect to the Purchase Price, please note that the Applicants have not requested an acquisition adjustment. If you have any additional questions or comments, please do not hesitate to call.

Sincerely yours,



Scott G. Schildberg

SGS/msa  
Enclosure  
cc: Eugene F. Cassidy  
Tim Vaccaro, Esquire