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DIVISION OF WATER & WASTEWATER
 CHARLES H. HILL
 DIRECTOR
 (850) 413-6900

Public Service Commission

December 1, 1998

Mr. Martin S. Friedman
 Rose, Sundstrom & Bentley, LLP
 2548 Blairstone Pines Drive
 Tallahassee, Florida 32301

Docket No. 981509-WS - Application for transfer of majority organizational control of Arrendondo Utility Company, Inc., in Alachua County, Florida, to AquaSource Utility, Inc.

Dear Mr. Friedman:

Upon review, our staff has detected one deficiency in your application to transfer majority organizational control pursuant to Rule 25-30.037(3), Florida Administrative Code. According to your application, AquaSource will depend upon the financial resources of its parent company, DQE, Inc., for its initial investment in Arrendondo Utility Company and, if needed, to fund any subsequent operating deficiencies. Your present application includes a one page statement regarding DQE's funding capacity. However, according to Rule 25-30.037(3)(g), the financial statements of DQE, Inc., should be produced. Therefore, your application will be deemed incomplete until this omission is corrected.

ACK _____
 AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 On November 30, 1998, you filed a copy of AquaSource's consolidated balance sheet for the period ending September 30, 1998. At the bottom of that report, a comment states that the "accompanying notes" are an integral part of that financial statement. Your submission did not, however, include the supporting notes for the balance sheet. We believe the accompanying notes must be produced to explain AquaSource's balance sheet. Also, an income statement for AquaSource for the period ending September 30, 1998 should be filed.

EAG _____
 LEG _____
 LIN _____
 OPC _____
 RCH _____
 SEC _____
 WAS _____
 OTH _____
 In addition, we believe that supplemental information is needed to further explain this transfer. When stock is transferred, submission of the purchase agreement is not a prescribed filing requirement. However, because this transaction concerns a relatively new company in Florida, we believe a copy of the purchase agreement is needed for this docket. That document may disclose relevant information regarding the timing and full cost of this acquisition and how those matters affect the public interest. This request for supplemental information is not, however, a technical deficiency.

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In addition, initial review of your application does not reveal how the \$2,250 filing fee was calculated. Therefore, please explain how this amount was derived, giving full particulars about the relative capacities of the subject water and wastewater systems.

Thank you for your assistance in this matter. If you have further questions regarding this letter, please call Mr. Walker at this number: 413-6924.

Respectfully,

John P. Williams
J.P.W.

John Williams

Director

Policy Development and Industry Structure

JW:ndw

cc: Division of Records and Reporting
Division of Legal Services (McRae, Reyes)
Division of Water and Wastewater (Walker, Redemann)